Institute for Philanthropy

Helping donors achieve impact

THE POWER *of* NOW

Spend Out Trusts and Foundations in the UK

CONTENTS

"Why do some trusts and foundations in the United Kingdom choose to spend out and what are the perceived benefits of doing so?"

INTRODUCTION

In recent years, charitable trust and foundation trustees have engaged in an increasing number of conversations and debates on the phenomenon of 'spend out'. Spend out, known in the USA as 'spend down' or 'limited lifespan', refers to a trust's decision to spend all or part of its capital assets within a specified timeframe.

While most trusts and foundations in the UK and the USA are still established in perpetuity and maintain endowments, the limited life option is beginning to attract more attention. Interest and discussion has been spurred on by the heightened visibility of individual philanthropists – notably Charles Feeney, Bill Gates, Warren Buffett and Paul Brainerd – who have all publicly announced their intention to forego a perpetual endowment in favour of a spend out model. Bill Gates, today's pre-eminent philanthropist, has already gifted an unprecedented $31 billion to the Bill and Melinda Gates Foundation with a commitment to disbursing the foundation's entire corpus within fifty years of its founders' deaths. Buffett has made clear that his own £44 billion fortune must be spent within ten years of his estate's closure, while Feeney is aiming to exhaust his own $4 billion balance by 2020.

Research to date on this topic, however, has been sparse. Very little reliable empirical data has been collected on the practice of spend out, or on the motivations, strategies and experiences associated with those trusts and foundations that have decided to spend out. What little research that has been undertaken has focused primarily on spend out foundations located in the United States. Consequently, little information is available to assist those donors, trustees, and staff in the UK and Ireland who may wish to consider and/or implement a spend out plan.

This paper seeks to better understand the phenomenon of spending out and attempts to draw an illustrative picture of what a sample of existing and recently closed spend out trusts in the United Kingdom are doing and why. At the most basic level, our research seeks to answer the question 'why do some trusts and foundations in the United Kingdom choose to spend out and what are the perceived benefits of so doing?'

This paper does not aim to advocate for or against spending out but instead attempts to shed light on it as an option, gleaning lessons from those that have undertaken it whose experiences may prove helpful to donors and trusts considering or implementing a plan to spend out. Because most charitable trusts close without leaving a public record, up until now it has been very difficult to know what specific circumstances lead some trusts and foundations to opt for spending out in this country.

This paper seeks to broaden our wider understanding of spending out in the UK by examining trusts and foundations that are currently in the process of depleting their endowment and examining those factors leading to their decision to terminate. We believe that finding the right model for grantmaking is an essential choice in philanthropy, with important implications for the impact and effectiveness of the work charitable trusts and foundations do. Spending out is not right for everyone, but we do believe that a conversation about spend out and the pros and cons of differing philanthropic models is a helpful one for every trust or foundation seeking to do its work as strategically and effectively as possible.

As Arthur "Buzz" Schmidt, (CEO of Guidestar International, Chairman and Director of the F.B. Heron Foundation and trustee of the Institute for Philanthropy) argues in his recent article, *Escaping the Perpetuity Mindset Trap*, "now more than at any other time in our lifetime, we face conditions – economic, environmental and human – that require foundations to maximize the value of their resources for society. They must become every bit as creative, resourceful and accountable as the organisations they support."[1] The discussion and findings that follow are offered in a preliminary spirit intended to spur and inform future debate on spend out.

[1] Schmidt, A. (Dec 2008) *Escaping the Perpetuity Mindset Trap*, The Nonprofit Quarterly. http://www.nonprofitquarterly.org/index.php?option=com_content&view=article&id=748:escaping-the-perpetuity-mindset-trap&catid=60:web-articles

MAPPING THE LANDSCAPE

Limited life trusts and foundations represent a small part of the foundation universe, yet one that encompasses considerable heterogeneity. Although there is no definitive register of spend out trusts in this country, informed anecdotal information suggests that there are currently only around 30 or 40 charitable trusts that would publicly describe themselves as spend outs in the UK. Research from the United States suggests that while perpetuity is the norm for most US foundations, between 8[2] and 9%[3] choose to spend out. A report carried out by the Foundation Center focusing on family-run foundations revealed around 12% of family foundations opting for a limited life span, with a further 25% remaining undecided as to the future of their foundation model.[4] Over a quarter of these family-run foundations opting to spend out were operating within a timeframe of 30 years or more.

The study also revealed that the two leading factors driving the decision to spend out were:

- The founder's wish to have a greater impact during his or her lifetime, and
- The founder's wish to be directly involved in how money is spent.

More than 90% of those interviewed in the work carried out by the Foundation Center claimed that these two factors influenced their decision to spend out. Other widely cited factors included: a desire to preserve the philanthropic intent of a foundation; the belief that future generations will create their own philanthropies; the opinion that foundations are more efficient when working within a limited lifespan, and a desire to have a concentrated impact on specific giving areas. The passions and driving forces behind these aspirations are understandably varied, but what appears to unite them is the over-arching opinion that strategic giving leads to higher-impact outcomes, and that spending out helps to keep a foundation's focus closer to its original vision.

The Charity Commission for England and Wales does not currently offer specific guidance for trusts and foundations that decide to spend out in this country. In response to an enquiry by the Institute for Philanthropy concerning the legal position of spend out trusts in the UK, we were informed that "the Commission does not have any specific guidance on 'Spend Out' Models, since this is to our understanding simply a descriptive term relating to a considered decision by the trustees/founders/settler(s) concerned to expend a charity's capital/income, either within a defined period or to meet what they consider an immediate need. Funds which are not permanently endowed are freely applicable/expendable in furtherance of a charity's objects/purposes. The specifics of their application, including timescales, are therefore at the discretion of the trustees subject to the charity's objects/purposes."[5]

Permanently endowed UK trusts and foundations are required by law to preserve their endowments, and in doing so to balance the needs of present and future beneficiaries.[6] However, as Jonathan Burchfield, Trustee of The Tubney Charitable Trust (which is currently spending out in the UK), and one of the UK's leading charity lawyers, has argued, it is important that funders are made aware that this requirement is only legally binding for those trusts that choose to set up a permanent endowment, and is not a rule for all grantmaking trusts.[7] In addition, permanently endowed trusts may also secure the release of their endowment on application to the Charity Commission, if the Commission is satisfied that there are sufficient reasons for them to do so.[8]

Trusts and foundations can have considerable impact when they choose to limit their lifespan or even just increase their pay-out.[9] Leading donors adopting this alternative giving model have opened up intriguing new vistas in charitable discourse and are helping to rekindle a long-running and healthy debate in the world of philanthropy that asks: should charitable trusts focus on perpetuating their resources or on spending them now?

2 Ostrower, F. (2009) *Limited Life Foundations: Motivations, Experiences, and Strategies*, The Urban Institute Center on Nonprofits and Philanthropy, p. 2
3 Renz, L. Lawrence, S. (2004) *Foundation Growth and Giving Estimates: 2003 Preview*, Foundation Center, p.10 http://foundationcenter.org/gainknowledge/research/pdf/fgge04.pdf
4 Renz, L. & Wolcheck, D. (2009) *Perpetuity or Limited Lifespan: How Do Family Foundations Decide?* The Foundation Center in cooperation with the Council On Foundations, p.1
5 Communication from the Charity Commission Direct Caseworking Team, 21/01/10. The Caseworking Team can be contacted at enquiries@charitycommission.gsi.gov.uk
6 See Operational Guidance – *Endowed Charities: A total return approach to investment* (Overview, Part 2: Background), on the Charity Commission's website at http://www.charity-commission.gov.uk/supportingcharities/ogs/g083a001.asp
7 Burchfield, J. (June 30, 2009), In contribution to a debate held at the AGM of the UK's Association of Charitable Foundations
8 Further information on permanent endowments and the processes for their amendment can be found in the 'Operational Guidance' section of the Charity Commission's website. See particularly the guidance on 'Endowed charities: a total return approach to investment (OG83)' at http://www.charity-commission.gov.uk/supportingcharities/ogs/index083.asp and on 'Endowment, Permanent (OG44)' at http://www.charity-commission.gov.uk/supportingcharities/ogs/index044.asp
9 Pay-out refers to the percentage of assets a trust or foundation spends annually. While there is no legal minimum pay-out rate in the UK, foundations in the USA are subject to a minimum 5 per cent pay-out requirement. For more information on the legal definitions of pay-out see http://www.philanthropyuk.org/Resources/Givingglossary (UK) and http://www.cof.org/files/Documents/WebNotebook/Legal_Essentials (USA).

'Having a discussion about spend out can help reaffirm some of the basic principles of grantmaking, such as clarity, focus and impact.'

RETHINKING *the* ENDOWMENT MODEL

While no approach to giving is inherently better than another, a clear giving strategy is pivotal to successful philanthropy. Trusts and foundations that are better informed and that invest time in finding the model most closely aligned to their mission stand a greater chance of effectively distributing funds and achieving their objectives, whether they choose to spend out or not. Charitable trusts are in the enviable position of being able to explore new solutions to social problems with an independence that government seldom has.[10] However, Buzz Schmidt argues that not enough donors are examining their foundation's mission and objectively asking themselves whether a perpetual corpus is the most effective means of achieving its aims.[11]

There exists a need to be strategic and pro-active about the giving process in order to maximise the impact a trust or foundation has. Schmidt warns against philanthropists falling back on tried and tested models that sometimes lack innovation, instead calling for an informed discussion on foundation structures (in a landscape largely conditioned by endowment perpetuity) that allows exploration and innovation to take place. Importantly, a vibrant and sustainable non-profit sector needs both the rush of the fast and the drip of the slow; philanthropists willing to invest large sums for potentially quicker results today, as well as those investing in social programmes for the long term. Spend out trusts and foundations form an integral part of this equation.

Increasingly, new philanthropists view themselves as social investors. They wish to allocate their money in ways that make the greatest possible difference and maximise 'social return.' Yet, according to Michael Porter and Mark Kramer, many donors do not think strategically enough about how they can best create value for society with the resources they have at their disposal.[12] Having a discussion about spend out and examining a trust or foundation's model can help reaffirm some of the basic principles of grantmaking, such as clarity, focus and impact – and the dialogue it creates can help clarify mission goals, identify future strategies and determine exactly what goes where. In some cases, a fund can make a greater and more sustainable impact for those who need it most by having a carefully targeted portfolio of work implemented over a limited number of years. The Rootstein Hopkins Foundation is a case in point, distributing its entire corpus of £8 million over a fourteen year period toward art education in the United Kingdom.

Its founders, Adel and Rick Hopkins, felt their actions might serve as an example of how a focused spend out could make a significant intervention on the lives of those involved in the arts.[13]

Commentators have also suggested that in any kind of foundation, exiting can be good for donor-grantee cooperation.[14] It follows that in a spend out, the certainty of a trust or foundation's closure can enforce discipline and focus for both parties – forcing both donor and recipient to think more rigorously about end goals and implementation. Opting to spend out can also help to mitigate the often counter-productive cyclicality of payout rates from perpetual trusts and foundations, that dictate that when the economy is doing well, foundations pay out more, yet when the economy is suffering – and precisely when more charitable donations are needed – trusts and foundations tend to pay out less. As some commentators have argued, in less confident economic times, donors should perhaps be choosing between today's needs and tomorrow's needs rather than assuming they can meet both.[15] Given the depth of the current economic crisis and the slump in giving, now may be the time for others to follow the example of Canadian billionaire Charles Bronfman, who has committed to spending out his foundation's entire endowment by 2016. Schmidt argues that more foundations should be more aggressive about using all of their assets for the public good. The doctrine of perpetuity, he argues, not only removes badly needed capital from the civic sector but also insulates foundations from disciplines of accountability.[16]

In an article for Charity Finance magazine, Danielle Walker Palmour and Peter Wheeler remind us that "it is seldom acknowledged that grantmaking trusts are one of the largest holders of private capital in the voluntary sector."[17] They quote a recent overview of trust and foundation spending vs. capital base, however, which found that UK and European foundations spend an average of only 2 per cent of the income arising from their capital holdings in pursuit of their charitable activities. As a result, they argue, "vast amounts of foundation capital is essentially lying idle from a mission perspective, invested in the market to maintain its financial value in real terms for future investment."[18]

Tim Ogden of Philanthropy Action in the USA, in his piece on revisiting the idea of perpetuity,[19] believes that the predilection toward limiting those resources earmarked for solving today's problems in order to secure a perpetual corpus is not a prescription for a sustainable future. He points out that since 1987 the value of foundation endowments (in inflation adjusted dollars) has grown by more than 500%. Excluding the creation of new foundations, the value of well-managed foundation endowments roughly doubled over this period. Even more importantly, the value of foundation endowments per capita grew by more than 400%. Given these statistics, alongside predictions that foundation endowments are likely to double again in the next ten years despite the current downturn, and sufficient evidence to suggest that the philanthropic sector is in little danger of disappearing any time soon, he asks why eternal foundations are seen as so necessary.

Many also question the public value placed upon the protection of trust and foundation endowments. The idea that there is an intrinsic public benefit to encouraging perpetuity is at best, underdeveloped. What many do not realise is that inflation can combine with small percentage payouts to devalue the public benefit of a trust or foundation's funds. A charitable trust that pays 5 per cent annually of its endowment will be in existence for more than 500 years before it pays out the equivalent value of its original gift.[20] Ogden cites the case of the Carnegie Corporation. Adjusted for inflation, in its first 100 years of existence the Corporation has given away only 20 per cent of the value of Andrew Carnegie's founding gift. What limited payout has allowed Carnegie to do is maintain the value of its founding corpus – in other words it allows the Corporation to be eternal.

However, basic economics dictate that if a trust or foundation's investment returns do not exceed the inflation rate, the real value of the endowment will never be paid out, which some argue, defeats the purpose of giving.[21] Indeed, as Luther M. Ragin, Jr., Vice President, Investments at FB Heron Foundation in New York has asked, "should a foundation be more than a private investment company that uses some of its excess cash flow for charitable purposes?"[22] In addition, Jonathan Burchfield has argued that there is too often an "over simplistic focus on the need to act 'in the best interests of the [grantmaking] charity', an expression which encourages too much focus on the structure and group of people that is 'the charity'. Instead, the focus should be on acting in the best interests of your charitable objectives, something which is much wider, and may indeed lead to Trustees deciding that those interests require that a charity should be wound up."[23]

"Many question the public value placed upon the protection of trust and foundation endowments."

[10] See Porter, M.E. & Kramer, M.R. (Nov-Dec 1999) *Philanthropy's New Agenda: Creating Value*, Harvard Business Review, p. 122
[11] Schmidt, A. (Dec 2008) *Escaping the Perpetuity Mindset Trap*, The Nonprofit Quarterly. http://www.nonprofitquarterly.org/index.php?option=com_content&view=article&id=748:escaping-the-perpetuity-mindset-trap&catid=60:web-articles
[12] Porter, M.E. & Kramer, M.R. (Nov – Dec 1999) *Philanthropy's New Agenda: Creating Value*, Harvard Business Review. p.122
[13] Glinkowski, P. (2007) *Good Foundations: Trusts & Foundations and the Arts in the United Kingdom*, vol.1, The Rootstein Hopkins Foundation: A Case Study, p.9
[14] See Mackinnon, A. (2007) The Effective Exit: Managing The End Of A Funding Relationship, GrantCraft, p.2.
[15] See Philanthrocapitalism website, *Madoff Versus Bronfman*, Dec 1st 2009, see: http://www.philanthrocapitalism.net/2009/12/madoff-versus-bronfman
[16] Schmidt, A. (Dec 2008) *Escaping the Perpetuity Mindset Trap*, The Nonprofit Quarterly. http://www.nonprofitquarterly.org/index.php?option=com_content&view=article&id=748:escaping-the-perpetuity-mindset-trap&catid=60:web-articles
[17] Walker, D. & Palmour, P. (Nov 2007) *Shake the Foundations*, Charity Finance Magazine. http://www.civilsociety.co.uk/magazines
[18] Ibid.
[19] Ogden, T. (Dec 2008) *Revisiting the Idea of Perpetuity*, http://www.philanthropyaction.com/articles/revisiting_the_idea_of_perpetuity
[20] Ibid.
[21] Ibid.
[22] As quoted in Walker, D. & Palmour, P. (Nov 2007) *Shake the Foundations*, Charity Finance Magazine. http://www.civilsociety.co.uk/magazines
[23] Burchfield, J. (June 30, 2009), In contribution to a debate held at the AGM of the UK's Association of Charitable Foundations.

FINDING *the* RIGHT MODEL *to* ACHIEVE YOUR MISSION

Another of the arguments commonly adopted in defence of relatively low pay-out rates is the importance of safeguarding stability and experience in the sector. The largest social problems require long-term solutions – therefore the need for trusts and foundations to retain skilled staff and operate within the mantra of fiscal-longevity appears a logical conclusion. This argument makes sense in theory but is rarely supported by the reality. In practice, trusts and foundations change strategies and focus fairly frequently – as they should if a problem is eliminated or research suggests a better approach. Perpetuity need not be the de-facto response to tackling long-term problems.
The US Aaron Diamond Foundation is a telling example of a spend out approach that has helped enormously to tackle the long-term issue of HIV/AIDS through large and concentrated funding. One of the Foundation's greatest achievements was the establishment of the Aaron Diamond AIDS Research Center in 1991, where major breakthroughs in AIDS treatment have been developed and disseminated rapidly. The Aaron Diamond Foundation closed in 1996, having expended more than $200 million.[24]
Its contribution to AIDS research helped to pave the way for future bodies to tackle the pandemic in a way that limited yet ongoing funded could never have yielded.

The strength of charitable trusts and foundations is embodied in the fact that they are independent and capable of taking risks that some other funders, especially those that distribute public funds, are unable to consider. In a time of recession and very tight funding for pressing issues, a big-hitting approach to charitable giving is arguably more necessary than ever. As Gara LaMarche, President and CEO of The Atlantic Philanthropies, which plans to spend down by 2016, recently stated: "You can make a more concentrated effort with substantial wealth to (address) problems if you're not hoarding your resources."[25]
Allowing for the prospect of larger pay-outs fundamentally makes sense for those trusts and foundations whose missions require them to move quickly when and where opportunities arise.

As Buzz Schmidt remarks, "nearly every foundation – thousands of institutions – adheres to the minimum/maximum giving threshold without much thought. When you think about the process of creating new foundations, this is not surprising. Professional advisors – tax accountants, trust lawyers and investment advisors – trained to avoid tax, perpetuate wealth and generate investment feeds – are the formative architects of foundations."[26]
Trusts and foundations may decide on the size and timeframe of grants on the basis of their own needs or finances rather than the needs they aim to tackle, creating inefficiencies both for themselves and for the charities they support. As Tim Ogden of Philanthropy Action argues, "perpetual foundations limit the pressure for altering strategy based on changing contexts – a phenomenon the Monitor Institute calls a "lack of survival anxiety"." [27]

More money is not necessarily the answer to every problem but, as Nathaniel Whittemore, former Director of the Northwestern University Center for Global Engagement recently commented, "I think that in some cases it would make more sense that a foundation choose to spend down its endowment and give multiples of well leveraged, well coordinated grants toward putting a serious dent in problems that exist. Self-preservation should never be the goal for its own sake when it comes to foundations."[28] What is important is that considered and strategic approaches to giving take place. As Ogden argues, "we've long since accepted that dynamism in our economy, creative destruction, is on net good for society. Wouldn't philanthropy benefit from some good old-fashioned creative destruction?"[29]

Deciding to spend out does not equate to a complete giving strategy in itself, and it is not the right decision for every trust and foundation. We do believe, however, that a discussion about spend out is one that every charitable trust can benefit from, and that it can help all philanthropists to think about how they can best harmonise their trust or foundation's goals with its available resources, and ultimately create change in new, direct and innovative ways. In the pages that follow, we present the findings of our research among a sample of UK trusts and foundations that have taken the decision to spend out (or have already spent out and closed their doors). We hope that their experiences will inspire other trusts to consider spend out as an option, and that ensuing debate among trustees will help bring clearer focus and strategy to their grantmaking, regardless of whether or not they choose to spend out.

[24] Newsmakers (Jan 10, 2007), in The Foundation Center's Philanthropy News Digest, http://foundationcenter.org/pnd/newsmakers/nwsmkr_50th.jhtml?id=166500002
[25] IPS. (Nov 13, 2009) *Civil Society to Lose Major Supporter*, http://atlanticphilanthropies.org/news/news/civil_society_to_lose_major_supporter
[26] Schmidt, A. (Dec 2008) *Escaping the Perpetuity Mindset Trap*, The Nonprofit Quarterly. http://www.nonprofitquarterly.org/index.php?option=com_content&view=article&id=748:escaping-the-perpetuity-mindset-trap&catid=60:web-articles
[27] Ogden, T. (Dec 2008) *Revisiting the Idea of Perpetuity*, http://www.philanthropyaction.com/articles/revisiting_the_idea_of_perpetuity
[28] Whittemore, N. (Jan 4, 2010) *Philanthropic Capital Needs to Take More Risks*, http://socialentrepreneurship.change.org/blog/view/philanthropic_capital_needs_to_take_more_risks
[29] Ogden, T. (Dec 2008) *Revisiting the Idea of Perpetuity*, http://www.philanthropyaction.com/articles/revisiting_the_idea_of_perpetuity

SPEND OUT *and* OPERATING CHARITIES

Many of the issues at the heart of the debate about spend out in grantmaking trusts also hold relevance for operating charities in the UK. Operating charities need to be able to safeguard themselves against fluctuations in income in order to ensure their survival in turbulent times, but it is also important that they strike a balance between weather-proofing their mission and using the funds available to them to achieve the maximum public good. All operating charities that find themselves in the favourable position of holding reserves that exceed their current operational needs and forecasts need to decide how large those reserves should be, and this is not always an easy question to answer.

While there are no set limits as to how much capital charities can hold in reserve, these funds should, according to the Charity Commission's guidance, be justified and explained in each charity's annual report. The Charity Commission's own research carried out in 2002[30] however, revealed that 69 per cent of charities lacked a policy for managing reserves, leading to assertions of charities withholding around £5.6 billion of funds from their beneficiaries without legitimate strategy or reason. The amount has more recently dropped to £3.6 billion, but still equates to 10 per cent of charities' total annual expenditure being held without formal justification.

As the Charity Commission's guidance aptly states, a sound, well-reasoned reserves policy can help a charity meet expectations of accountability and transparency.[31] It can also help charities to plan for long-term security while still maintaining the ability to seize opportunities and react to change. As is the case for grantmaking trusts and foundations, operating charities with large reserves can benefit from a discussion about how to best align their resources with their mission, and how to strike a balance between a sensible reserves policy and the allocation of resources to increase impact in their work.

"Many of the issues at the heart of the debate about spend out in grantmaking trusts also hold relevance for operating charities."

[30] Charity Commission RS13: *Tell It Like It Is: The extent of charity reserves and reserves policies.* http://charity-commission.gov.uk/publications/rs13.asp
[31] Ibid.

SPEND OUT TRUSTS *and* FOUNDATIONS *in the* UK: **A PROFILE**

The following pages show the results of our survey research on the size, age, activities and motivations of spend out trusts and foundations in the United Kingdom. The data was collected via an online survey, completed by 13 representatives of spend out trusts and foundations in the UK between November 2009 and January 2010. All data was collected anonymously.

As UK trusts and foundations are not required to declare their intention to spend out, we have no register of the exact number of spend outs in this country. Informed anecdotal evidence, however, suggests that the number of trusts that have publicly adopted this terminology to define their model for grantmaking is only around 30 or 40. As such, while our sample size may upon first inspection appear small, it does give a sense of the profile of spend out philanthropy in the UK.

Our survey was originally designed in two versions; the first for those trusts and foundations that have recently spent out and closed their doors, and the second for those trusts and foundations that are currently in the process of spending out. (All trusts and foundations surveyed that are currently spending out told us that they plan to do so completely.) The findings have since been merged into one document for more accessible analysis, and questions that applied to only one of the two sample groups have been detailed in the text. The results have been divided into three sections: Spend Out Trust and Foundation Profiles, Deciding to Spend Out, and Strategies for Spending Out. A short summary of the findings can be found at the end of each section. We have selectively reproduced extra comments provided by the trusts in order to avoid repetition.

Perhaps the most striking finding revealed by our research is the diversity of spend out trusts and foundations in the UK. As can be seen below, trusts surveyed within our sample varied widely in terms of their age, size, funding interests, grantmaking practices and timeframe for spend out. We might conclude from these findings that spend out is not a practice restricted to a particular profile of trust or foundation in the UK, but one that can be – and is – adopted by a range of different philanthropic trusts. The quantitative findings presented below are best considered in conjunction with the qualitative findings detailed in the next section of this paper, where some of the motivations for and experiences of spend out, that do unite this diverse range of grantmakers, are explored in more detail.

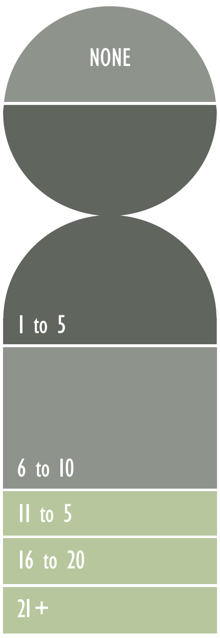
SECTION
One

Spend out trust and foundation profiles

YEAR IN WHICH TRUST OR FOUNDATION CREATED

YEAR	RESPONSES	RESPONSE RATIO
1960 – 69	4	30.7%
1970 – 79	1	7.6%
1980 – 89	1	7.6%
1990 – 99	5	38.4%
2000 – 09	2	15.3%
TOTAL	**13**	

NUMBER OF PAID STAFF EMPLOYED BY TRUST OR FOUNDATION



NUMBER OF STAFF	RESPONSES	RESPONSE RATIO
NONE	2	15.3%
1 to 5	5	38.4%
6 to 10	3	23%
11 to 5	1	7.6%
16 to 20	1	7.6%
21 +	1	7.6%

MAIN AREAS OF TRUST OR FOUNDATION'S FUNDING

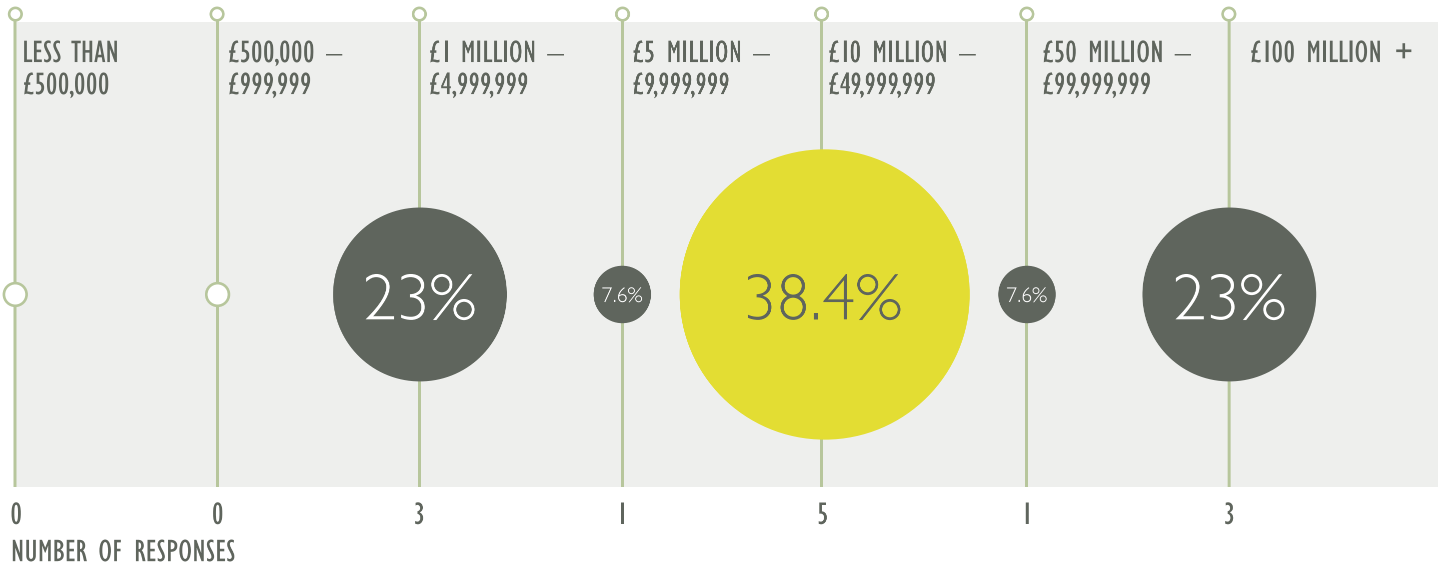
AREA	RESPONSES	RESPONSE RATIO
Animal Welfare	1	7.6%
Climate Change	1	7.6%
Culture	4	30.7%
Education	7	53.8%
Environment	3	23.0%
Health	6	46.1%
Heritage	4	30.7%
Human Rights	1	7.6%
International Aid	4	30.7%
Mission Related Investments	2	15.3%
Politics	2	15.3%
Religion	1	7.6%
Science	1	7.6%
Social Justice	5	38.4%
Sport	1	7.6%
Women	2	15.3%
Other*	7	53.8%
TOTAL RESPONDENTS	**13**	

* Other areas specified were: the elderly; palliative care; penal reform; refugee and asylum seekers; young people/volunteering; church fabric; civil liberties; AIDS/HIV; homelessness; birth control; victims of terrorist bombings and the visual arts.

GEOGRAPHIES IN WHICH TRUST OR FOUNDATION FUNDS OR FUNDED

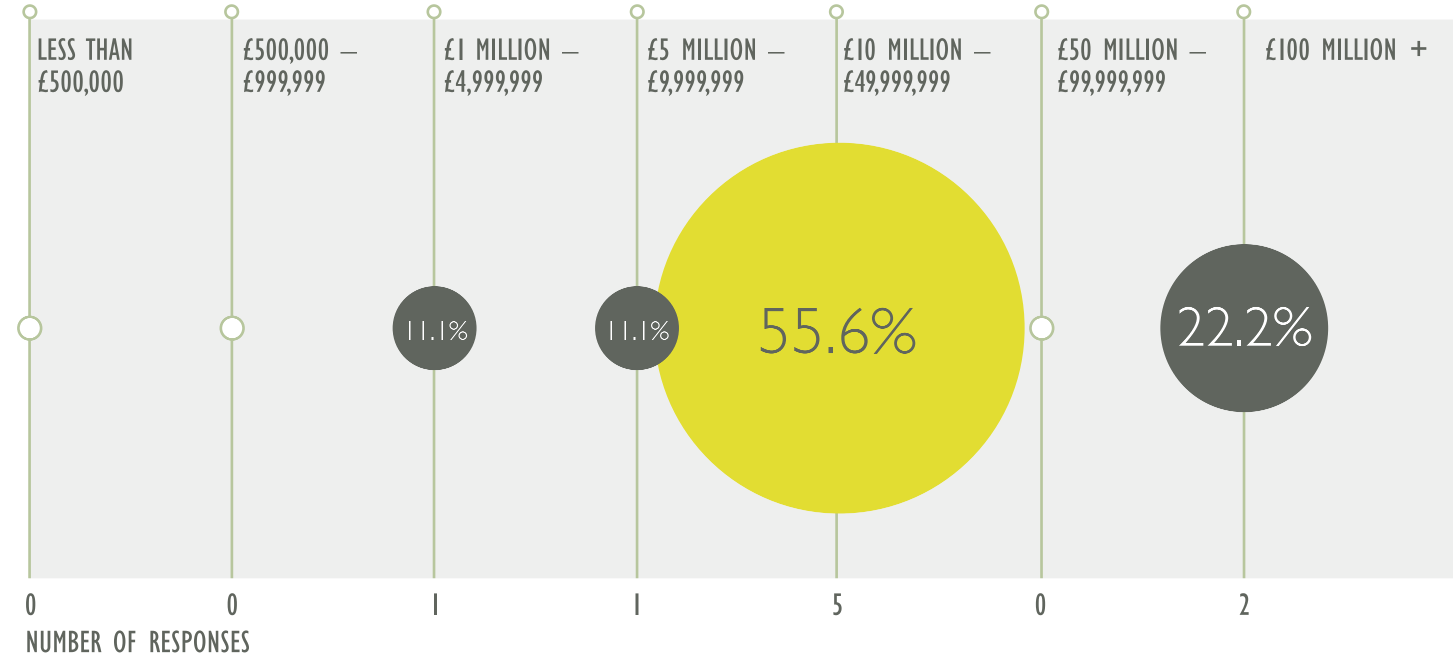
REGION	RESPONSES	RESPONSE RATIO
Europe	12	92.3%
Africa	5	38.4%
Asia	1	7.6%
North America	1	7.6%
Central America	0	0.0%
South America	0	0.0%
Australasia	0	0.0%
Other	2	15.3%
TOTAL RESPONDENTS	**13**	

TOTAL AMOUNT AVAILABLE FOR SPEND OUT BY TRUST OR FOUNDATION AT THE TIME THE DECISION TO SPEND OUT WAS MADE

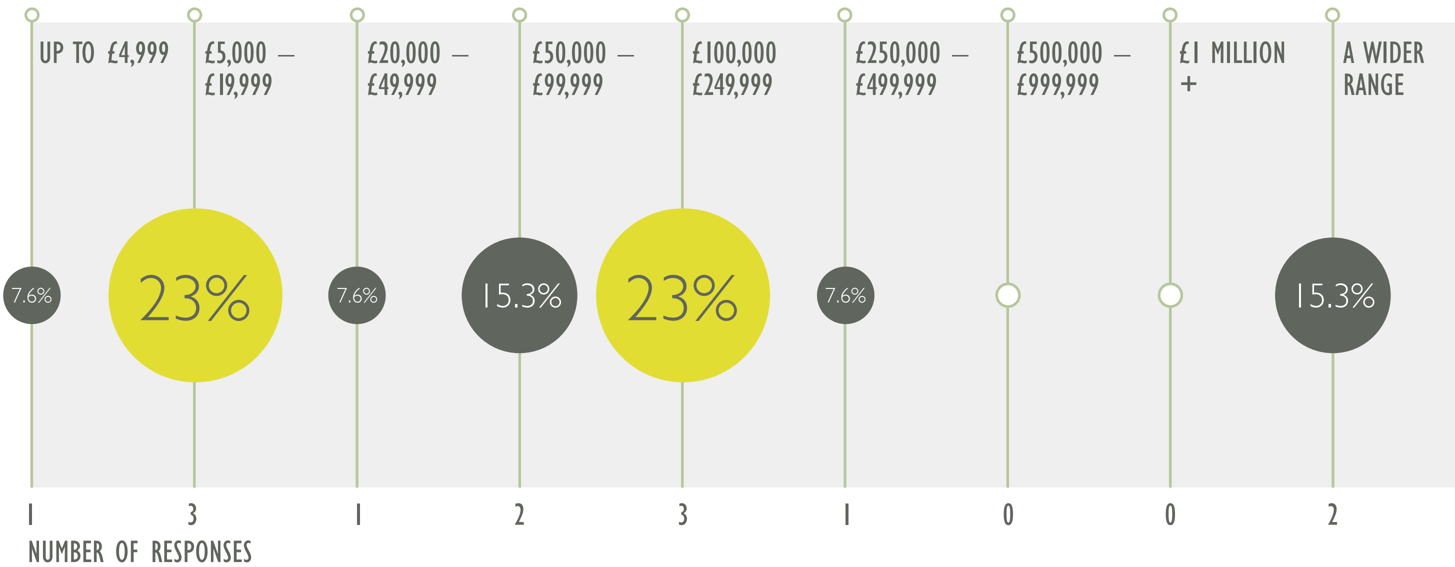


TOTAL AMOUNT AVAILABLE FOR SPEND OUT BY TRUST OR FOUNDATION AT PRESENT

This data applies only to trusts and foundations that are currently spending out. (9)

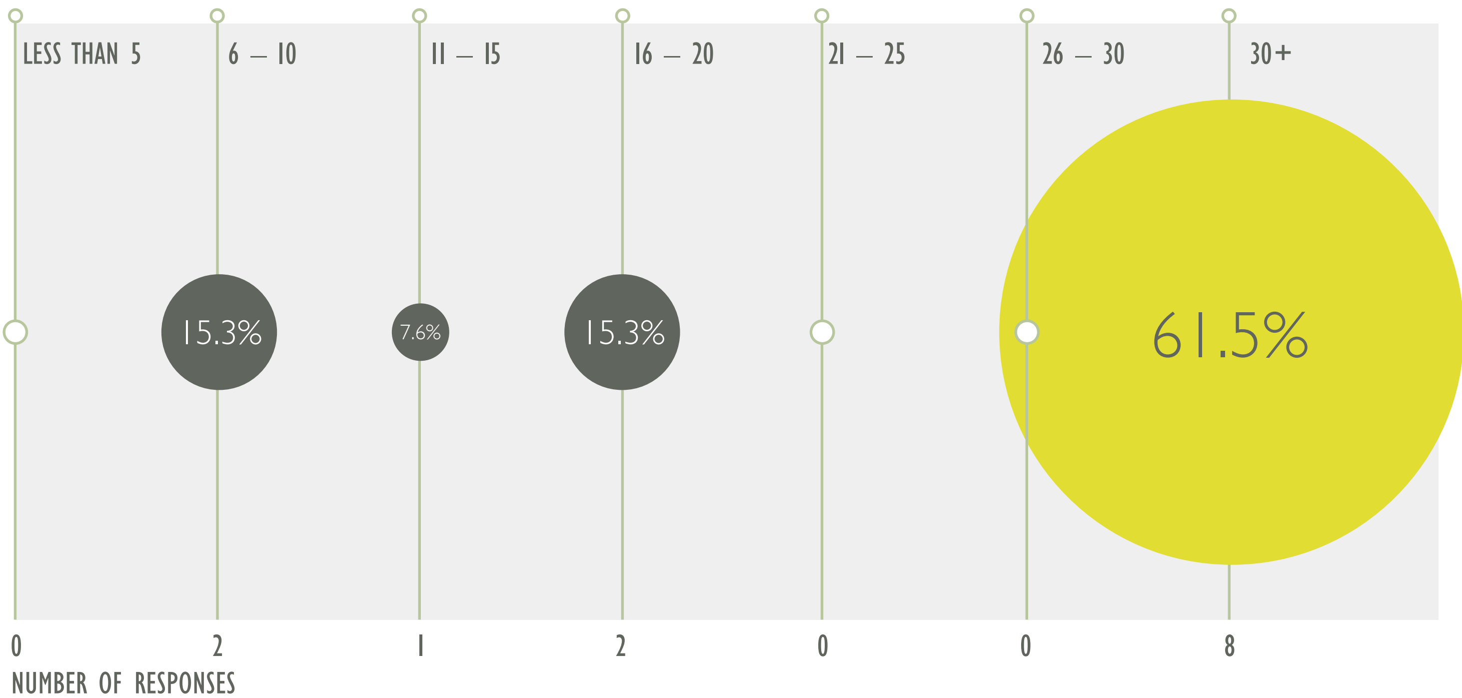


MOST COMMON SIZE OF GRANT AWARDED BY TRUST OR FOUNDATION



"A wide variety of funding areas were cited, with education, social justice and health ranking highest."

AVERAGE NUMBER OF GRANTS MADE PER YEAR BY TRUST OR FOUNDATION



SUMMARY OF DATA IN SECTION ONE

- The majority of trusts and foundations surveyed were created in the 1990s (38.4%) and the 1960s (30.7%) with over a third (38.4%) of all those surveyed employing one to five paid staff.
- A wide variety of funding areas were cited but within our sample, education, social justice and health ranked highest.
- Almost all trusts and foundations surveyed funded projects in Europe (92.3%), with Africa (38.4%) cited as the second most common geographical area.
- Over a third (38.4%) of respondents stated that the total amount available for spend out by their trust or foundation (at the time the decision to spend out was made) was between £10million and £49.9 million. Almost one quarter (23%) of respondents began spend out with between £1million and £4.9 million, and nearly a further quarter (23%) began spend out with over £100 million.
- The most common size of grant awarded by the trusts and foundations surveyed varied greatly, but 23% of respondents stated their most common grant size as £5,000 - £19,999 and a further 23% stated it to be between £100,000 and £249,999.
- Almost two thirds (61.5%) of the trusts and foundations surveyed awarded in excess of 30 grants per year.

SECTION Two

Deciding to spend out

ARE TRUST OR FOUNDATION'S FOUNDERS STILL LIVING?

This data applies only to trusts and foundations that are currently spending out. (9)

	RESPONSES	RESPONSE RATIO
Yes	4	44.4%
No	5	55.6%
TOTAL	**9**	

TIME AT WHICH TRUST OR FOUNDATION DECIDED TO SPEND OUT

TIME OF DECISION	RESPONSES	RESPONSE RATIO
Decision made by founder at inception	4	30.7%
Decision made later by founder	3	23.0%
Decision made later by trust or foundation's board	6	46.1%
TOTAL	**13**	

FACTORS INFLUENCING THE DECISION TO SPEND OUT, IF DECISION MADE AT TRUST OR FOUNDATION'S INCEPTION *(4 trusts or foundations)*

FACTOR	RESPONSES	RESPONSE RATIO
Fear of mission drift after founder's death	2	50.0%
Wish to have a greater impact during founder's lifetime	2	50.0%
Belief that trust/foundation would be a burden to future generations	1	25.0%
Belief that spend out trusts/foundations are more efficient	1	25.0%
Belief that future generations should create their own philanthropy	0	0.0%
Belief that philanthropic pounds are worth more now than in the future	2	50.0%
Trust/foundation's issue area lent itself to spend out	2	50.0%
Belief that spending out is a more enjoyable form of philanthropy	0	0.0%
Other*	1	25.0%
TOTAL	**4**	

* The other factor stated was: "Not wishing to create a bureaucracy or to create an edifice in perpetuity."

TIME AT WHICH THE DECISION TO SPEND OUT WAS MADE, IF *AFTER* TRUST OR FOUNDATION'S INCEPTION *(9 trusts or foundations)*

TIME	RESPONSES	RESPONSE RATIO
During the founder's lifetime	5	55.6%
After the founder's death	4	44.4%
TOTAL	**9**	

FACTORS INFLUENCING THE DECISION TO SPEND OUT, WHEN DECISION MADE *AFTER* TRUST OR FOUNDATION'S INCEPTION *(9 trusts or foundations)*

FACTOR	RESPONSES	RESPONSE RATIO
Death of founder	1	11.1%
Wish to make a greater impact over a shorter time period	8	88.8%
Belief that trust/foundation would be a burden to future generations	0	0.0%
Belief that spend out trusts/foundations are more efficient	3	33.3%
Belief that future generations should create their own philanthropies	3	33.3%
Belief that philanthropic pounds are worth more now than in the future	5	55.5%
Belief that trust/foundation's issue area lent itself to spend out	1	11.1%
Belief that spend out is a more enjoyable form of philanthropy	4	44.4%
New foundation leadership	0	0.0%
Lack of interest in foundation among younger family members	0	0.0%
Disagreement among family members	0	0.0%
Decline in trust/foundation's resources	1	11.1%
Discovery of a unique funding opportunity	0	0.0%
Other*	4	44.4%
TOTAL	**9**	

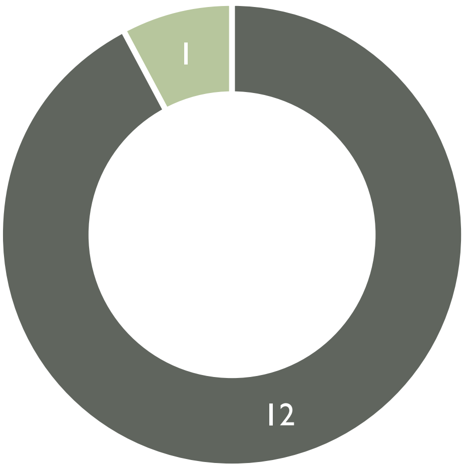
*Other factors stated were:
"No direct heirs to continue foundation's work."
"A desire of the founder for it not to be administered by professionals."
"Looking for a unique funding opportunity."

OUTSIDE FACTORS CONTRIBUTING TO TRUST OR FOUNDATION'S DECISION TO SPEND OUT

FACTORS	RESPONSES	RATIO
Recommendation of a financial or philanthropic advisor	0	0.0%
Magazine or newspaper article	0	0.0%
Experience of other trust or foundation	1	7.6%
Heard about spend out at a conference or other event	2	15.3%
*Other**	4	30.7%
TOTAL (respondents asked this question)	**13**	

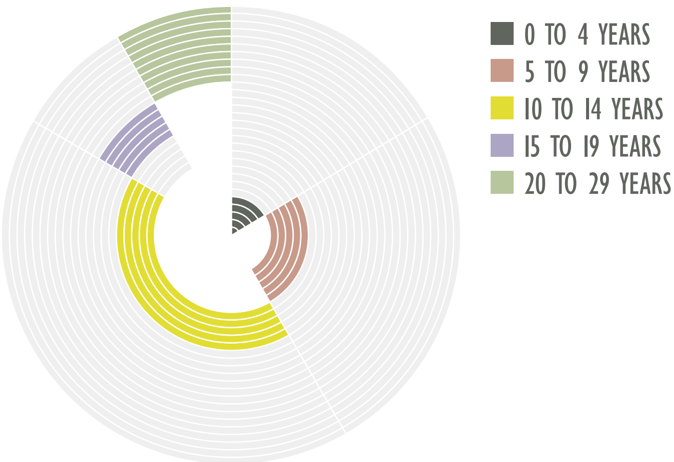
* Other outside factors stated:
"Learnt about spend out on The Philanthropy Workshop (the Institute for Philanthropy's donor education programme)."
"Foundation was response to a terrorist attack, it was essential to be seen to be distributing funds swiftly and in total as soon as possible."

HAVE TRUSTS AND FOUNDATIONS SPECIFIED (OR DID THEY SPECIFY) A TIMEFRAME FOR SPENDING OUT?



	RESPONSES	RATIO
Yes	12	92.3%
No	1	7.6%
TOTAL	**13**	

TIMEFRAME SPECIFIED FOR SPEND OUT BY TRUSTS AND FOUNDATIONS



TIMEFRAME	RESPONSES	RATIO
0 to 4 years	2	16.6%
5 to 9 years	3	25.0%
10 to 14 years	5	41.6%
15 to 19 years	1	8.3%
20 to 29 years	1	8.3%
30 years or more	0	0.0%
TOTAL	**12**	

"The most common timeframe specified for spend out was 10-14 years, followed by 5-9 years and 0-4 years."

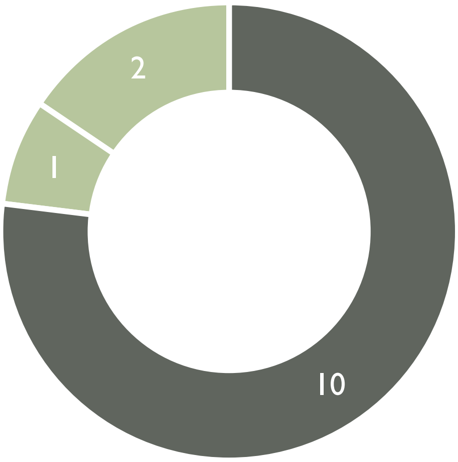
SUMMARY OF DATA IN SECTION TWO

- Trusts and foundations surveyed that are currently spending out were fairly evenly split between those whose founders are still living (44.4%) and those who are not (55.6%).
- 69.1% of respondents stated that the decision to spend out had not been taken at their trust or foundation's inception, but at a later date.
- Over half (53.7%) of the trusts and foundations surveyed stated that the decision to spend out had been founder-led (30.7% at inception, 23% after inception). The remainder (46.1%) stated that the decision to spend out had been made at a later date by the trust or foundation's board.
- Among those trusts and foundations that took the decision to spend out at their inception, the leading factors influencing this decision were: *fear of mission drift after founder's death; wish to have a greater impact during founder's lifetime; belief that philanthropic pounds are worth more now than in the future* and *belief that the trust/foundation's issue area lent itself to spend out.*
- Among those trusts and foundations that took the decision to spend out after their inception, the leading factor influencing this decision was: *wish to make a greater impact over a shorter time period* (88.8%). The other most commonly cited factors were: *belief that philanthropic pounds are worth more now than in the future* and *belief that spending out is a more enjoyable form of philanthropy.*
- No single outside factor contributed to the decision to spend out among more than one of the trusts and foundations surveyed, except for *heard about spend out at conference or event* which influenced the decision of two of the trusts.
- With the exception of one respondent, all trusts and foundations surveyed had specified a timeframe for spending out. The most common timeframe specified was 10-14 years (41.6%), followed by 5-9 years (25%) and 0-4 years (16.6%). None of the trusts or foundations surveyed specified an envisioned timeframe that exceeded 29 years.

SECTION
Three

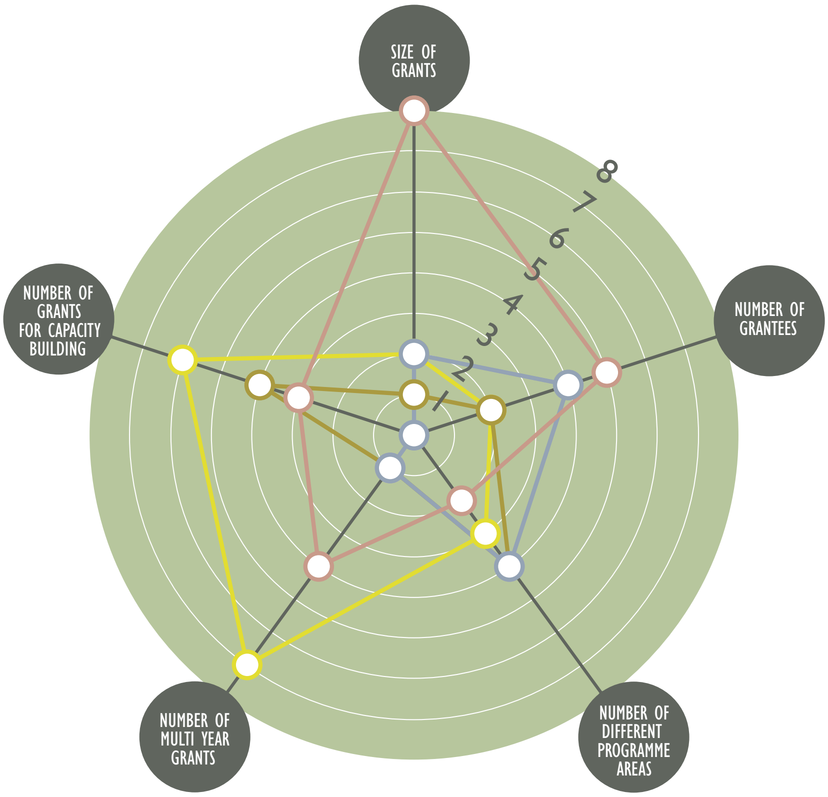
Strategies for spending out

EXIT STRATEGIES ADOPTED BY SPEND OUT TRUSTS AND FOUNDATIONS



STRATEGY	RESPONSES	RESPONSE RATIO
Spend out all assets through grantmaking before closure	10	76.9%
Donate any remaining assets to other trust/foundation(s) before closure	1	7.6%
Donate any remaining assets to community foundation(s) before closure	0	0.0%
Decision has not yet been made	2	15.3%
TOTAL	**13**	

CHANGES TO GRANTMAKING STRATEGY ADOPTED BY TRUSTS AND FOUNDATIONS AS THEY SPEND OUT



INCREASE DECREASE NO CHANGE N/A

Size of grants:

INCREASE	DECREASE	NO CHANGE	N/A
8	2	1	2
62%	15%	8%	15%

—

Number of grantees:

INCREASE	DECREASE	NO CHANGE	N/A
5	4	2	2
38%	31%	15%	15%

—

Number of different programme areas:

INCREASE	DECREASE	NO CHANGE	N/A
2	4	4	3
15%	31%	31%	23%

—

Number of multi-year grants:

INCREASE	DECREASE	NO CHANGE	N/A
4	1	1	7
31%	8%	8%	54%

—

Number of grants for capacity building:

INCREASE	DECREASE	NO CHANGE	N/A
3	0	4	6
23%	0%	31%	46%

OPERATIONAL MEASURES TAKEN OR PLANNED BY TRUSTS AND FOUNDATIONS IN PREPARATION FOR SPEND OUT

MEASURE	RESPONSES	RATIO
Increase numbers of staff	3	23.0%
Reduce numbers of staff	4	30.7%
Change balance of investments from equities to fixed income	2	15.3%
Other*	4	30.7%
TOTAL	**13**	

* Some respondents also stated that they had worked with freelance consultants rather than contracted staff in the run up to closure.

OTHER ACTIONS TAKEN OR PLANNED BY TRUSTS AND FOUNDATIONS PRIOR TO CLOSURE

ACTION TAKEN	RESPONSES	RATIO
Discuss plans to spend out with grantees	4	30.7%
Publicly announce decision to spend out	8	61.5%
Create internal plan in preparation for closure *(concerning staff redundancy, distribution of physical assets, etc)*	9	69.2%
Document and/or disseminate experiences around spend out	4	30.7%
TOTAL	**13**	

DID RESPONDENTS THINK THAT INTEREST IN THE SPEND OUT MODEL HAS INCREASED IN RECENT YEARS AMONG UK TRUSTS AND FOUNDATIONS?

	RESPONSES	RATIO
Yes, a lot	2	15.3%
Yes, a little	9	69.2%
No, not much	0	0.0%
No, not at all	0	0.0%
Don't know	2	15.3%
TOTAL	**13**	

"84.5% believed that interest in spend out had increased (a lot or a little) in recent years among UK trusts and foundations."

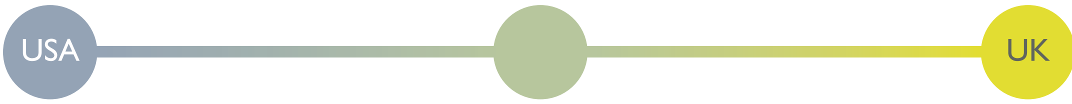
SUMMARY OF DATA IN SECTION THREE

- As part of their exit strategy, 76.9% of trusts and foundations surveyed had spent or planned to spend out all assets through grantmaking before closure, with a further 7.6% choosing to donate their remaining assets to other trusts or foundations. The remaining respondents were still undecided.
- Almost two thirds (62%) of respondents surveyed reported having increased the size of their grants as part of their spend out strategy.
- Over a third (38%) had also increased their number of grantees, although just under a third (31%) had decreased their number of grantees.
- 31% reported a decrease in the number of different programme areas funded as part of their spend out strategy, while 15% reported an increase and 31% reported no change in this number.
- Just under a third of respondents (31%) reported an increase in the number of multi-year grants awarded, while 23% reported increasing the number of grants awarded for capacity building.
- Over half of respondents (53.7%) had taken (or planned to take) operational measures concerning their staffing numbers in preparation for spend out. However, these actions varied, with 30.7% reducing staff numbers and 23% increasing staff numbers. 15.3% had changed or were making plans to change the balance of their investments from equities to fixed income.
- Trusts and foundations surveyed had taken (or planned to take) numerous actions prior to closure. Over two thirds of those surveyed (69.2%) had created or were creating an internal plan in preparation for closure and over 60% had publicly announced their decision to spend out or planned to do so. 30.7% of respondents had discussed (or planned to discuss) their plans to spend out with grantees, and the same number of respondents had or planned to document and/or disseminate their experiences around spending out.
- Of those surveyed, 84.5% believed that interest in spend out had increased (a lot or a little) in recent years among UK trusts and foundations.

COMPARISONS WITH DATA FROM THE USA

The following diagram compares the key findings from the Institute for Philanthropy's study of spend out trusts and foundations in the UK with those of a recent study carried out by the Foundation Center and the Council on Foundations in the USA. The Foundation Center's study surveyed 125 family foundations that have decided to spend out in the USA.[1] While not all of its findings are directly comparable with ours, given the structure of the surveys used in the two studies, the sample sizes and the differing philanthropic contexts operating on either side of the Atlantic, they do enable us to assess how key trends among spend outs seem to converge and differ in the two countries.

The findings have been divided into three areas: Deciding to Spend Out, Motivations for Spending Out, and Spending Out in Practice. Trends specific to the USA are placed to the left, highlighted in blue, while trends specific to the United Kingdom are placed to the right, highlighted in yellow. Trends that appear to be occurring in both countries are placed centrally in green.



Deciding to spend out

In nearly three quarters of foundations surveyed, the decision to spend out was made by the founder.

The majority of US and UK trusts and foundations surveyed made the decision to spend out after inception. In the UK this equated to two thirds of respondents and in the USA to almost three quarters.

In just over half of the trusts and foundations surveyed, the decision to spend out was made by the founder. In the remaining trusts the decision was made by the board.

[1] Renz, L. & Wolcheck, D. (2009) *"Perpetuity or Limited Lifespan: How Do Family Foundations Decide?"* The Foundation Center in cooperation with the Council On Foundations

USA

UK

Motivations for Spending Out

Among those trusts and foundations that decided to spend out at inception…

Over 90% cited the wish to have a greater impact during their lifetime as one of the factors influencing the decision to spend out.

A similar number cited the wish to preserve philanthropic intent as one of the factors influencing the decision to spend out.

Around half of trusts and foundations surveyed in both the USA and the UK, who decided to spend out at inception, believed that philanthropic capital is worth more now than in the future.

Half cited the wish to have a greater impact during their lifetime as one of the factors influencing the decision to spend out (at inception).

Half cited the fear of mission drift as one of the factors influencing the decision to spend out.

Among those trusts and foundations that decided to spend out after inception …

A quarter of US foundations surveyed that had decided to spend out after inception stated that the wish to create greater impact in specific fields of giving was one of the driving motivations for their decision to spend out.

Around a third of the trusts and foundations surveyed in both the UK and the USA that had chosen to spend out after inception believed that future generations would or should develop their own philanthropy.

10% of surveyed UK trusts and foundations who decided to spend out after inception stated a belief that their trust's issue area lent itself to spend out as a motivating factor.

USA UK

Spending Out in Practice

Nearly 75% of US foundations surveyed had set a timeframe for spend out of under 30 years.

Among foundations surveyed in the USA, under 10% had increased or decreased staff numbers as part of their operational strategy for spend out.

Just over 10% of trusts and foundations surveyed in the USA had publicly announced their decision to spend out.

The majority of US and UK trusts and foundations surveyed planned to close after spending out all assets, as opposed to other strategies (such as donating remaining funds to other trusts, foundations or community foundations).

Around a quarter of trusts and foundations surveyed in both the USA and the UK planned to document and/or disseminate their experience of spending out.

100% of UK trusts and foundations surveyed had set a timeframe for spend out of under 30 years.

In the UK there was a greater propensity to adjust staffing numbers as part of operational strategy for spending out. Almost a third of surveyed trusts had increased staff, and a quarter had decreased staff.

Around two thirds of UK trusts and foundations in our survey had publicly announced their decision to spend out, or planned to do so.

"The majority of US and UK trusts and foundations surveyed planned to close after spending out all assets."

SPEND OUT *in* PRACTICE

Trusts and foundations speak

In the pages that follow, we present the results of our qualitative research among a sample of spend out trusts and foundations in the UK.[1] The findings are based on interviews with twelve trustees and chief executives from ten charitable trusts, carried out between November 2009 and February 2010. Three of these trusts had already spent out and thus closed their doors, while the remaining seven were in different stages of the process of spending out. As some of the trusts and foundations we spoke to wished to remain anonymous, we have chosen not to attribute the quotations in this section.

Perhaps the most striking aspect of our findings is the wide diversity that can be seen among UK spend out trusts, even within the small sample that took part in our study. Trusts and foundations represented here (and in the statistical data found in the first part of this paper) varied widely in terms of the capital they had to spend when they decided to spend out, which ranged from under five million to over five hundred million pounds. They also varied in terms of the number of staff they employ, their timeframes for spend out and the style of their grantmaking.

The trusts interviewed were funding (or had funded) in a wide range of issue areas, from the visual arts and education to poverty alleviation, civil liberties, asylum seekers, HIV/Aids, penal reform, mental health, explosive remnants of war, biodiversity and the environment and medical, scientific, social and economic research. The oldest trusts we spoke to were created in the 1960s (one of which had closed its doors after 36 years of grantmaking), and the youngest was established in 2005 and had existed over a period of less than two years. While some were born from long traditions of family philanthropy, others were created by business entrepreneurs, in the memory of deceased public figures, by bilateral agreement at the request of national government or to support the victims of terrorist attack. This huge variety in fact reflects the nature of the UK's trust and foundation sector itself, showing that spend out is not a decision restricted to a particular type, shape or size of charitable trust in the UK.

While our findings demonstrate this diversity, however, we can also see a number of common themes running through the experience of the trusts that we talked to, in terms of the motivating factors and rationale behind the decision to spend out, and the practicalities of doing so.

[1] The fourth case study presented in this section profiles the work of The Atlantic Philanthropies, which operates in the Republic of Ireland and Northern Ireland as well as in five other regions around the world. This was the only foundation surveyed that had offices outside as well as within the UK.

Taking the decision to spend out

The trusts and foundations in our sample talked about a number of different motivations for deciding to spend out, and for the majority, it was a combination of factors – rather than one single reason – that led to the decision.

Only two of the trusts cited the issue area in which they fund as a major factor. One of these trusts had been established in order to fund research into and treatment of a specific medical issue, and had continued to do so after the death of its founders. After some time, however, the scientific advisors to the trust had brought it to the attention of the trustees that the medical profession seemed to be on the brink of a number of important breakthroughs in relation to this disease, at a moment that coincided with the onset of the current economic crisis and a significant dip in the funding available to support those working in the area. The trustees decided, in response to these two factors, to significantly increase their funding into the area through a decision to spend out.

In a very different example, another trust had been established specifically to provide financial assistance to the victims of a terrorist attack, and on researching other funds set up to deal with similar incidents, had found much advice to "get the money moving." The fund's trustees felt that spending out over a short period of time was the correct response to the great and immediate need for financial aid amongst their beneficiaries, and symbolically important for both those who had been affected by the incident and those who had donated money for their assistance.

Some trusts cited the high administration costs associated with maintaining a trust in perpetuity as a factor influencing their decision to spend out. In particular, one founding trustee told us that a growing concern about the cost of his trust's investment management fees had been an important factor influencing his decision. In choosing to limit the life of his trust, he has been able to redirect the high percentage of funds he previously spent on investment management fees into the trust's grantmaking itself.

The issues of financial management and accountability also rated highly among the motivating factors of two trusts that had been financed in part by funds coming directly from the general public. In both cases, these trusts mentioned a responsibility to the public to use funds quickly and in full in pursuit of their mission.

Another factor for choosing to spend out was highlighted by a foundation that felt it had been sufficiently successful in fulfilling its mission. The ex-director of this foundation told us that, "in 1973 we were probably funding about 75% of the kind of research we were set up to support, but by 2004, we were funding only about 25% of it, because other institutions had meanwhile come into existence to do so. It wasn't explicitly foreseen that the foundation should fund this kind of work in the expectation that other people would take it up once we'd demonstrated how valuable it was, but that's effectively what happened."

"It's about saying 'here's a great opportunity to change things for the better, let's throw all our resources at it, let's really make a difference."

One of the trusts in our sample had decided to spend out as a direct consequence of the death of its founder and the lack of heirs to carry on its work. In this instance, the remaining trustees had felt it fitting to bring the trust to a close, finishing its grantmaking "soon and generously." While the death of a founder and the absence of heirs had played a part in the decision of other trusts to spend out, they were not cited as principal reasons. One trustee of a charitable trust that has now closed, however, told us that the founder's decision to spend out had been partly motivated by a concern that future trustees might not adhere to the mission he had defined for the trust. Another said that philanthropists should concern themselves with contemporary problems, rather than maintaining capital for funding in the future. He believed that "to some extent we should be relying on future generations to look after themselves. What I'm trying to do is sort out what's happening today."

The issue of heirs was presented in a somewhat different light by one foundation, whose living founder had already provided his children with the means to set up their own charitable trusts, preferring that they do their philanthropy independently – in accordance with their own interests and approaches – rather than carry on the work of their father. This philanthropist saw his foundation as an expression of his own personal interests and concerns, and wanted to be able to see the fruits of its work during his own lifetime. The director of this foundation also cited the "personal enjoyment of giving intensively" as a factor behind its founder's decision.

Finally, a particularly strong motivating factor in the decision of many of the trusts not to create a permanent endowment was a belief that spending out would enable them to make a bigger impact with their grantmaking. The director of one foundation told us that while the decision to spend out had been taken only recently, and after several decades of grantmaking, it reflected a long-term view on the part of its founder that, "foundations can go off the boil when the settlor [has passed away], when they don't have that intimate connection with the person's wealth and driving mission. They start to just run on, becoming more concerned with their own preservation than with the mission that they're trying to deliver. He [the founder] would rather be a trailblazer. He'd rather his foundation has a great impact, burns incredibly brightly and makes its mark in history. It's about saying 'here's a great opportunity to change things for the better, let's throw all our resources at it, let's really make a difference.'"

These concerns about institutionalising the work of charitable trusts, and a desire to use resources to their maximum potential in order to create social change and to leave behind a long-lasting legacy were also cited by other trusts.

CASE STUDY One

THE TUBNEY CHARITABLE TRUST

The Tubney Charitable Trust supports activities that have a long term, sustainable, positive impact on the biodiversity of the UK and on the welfare of farmed animals both in the UK and internationally. The Trust was founded in 1997 by Miles Blackwell, retired Chairman of the Oxford-based bookseller Blackwell Limited, and his wife Briony. When Miles and Briony both died unexpectedly in 2001, leaving no heirs, the Trust's Board assumed responsibility for the distribution of funds totalling approximately £50 million. Miles and Briony had always intended that the Trust should spend out its assets, and it was left to the Trustees to put this wish into practice.

The Trust had originally responded to applications for funding in a wide range of issue areas. In 2003, however, the Trustees held a strategic overview, and decided to focus their grantmaking in only two fields: biodiversity and farmed animal welfare, in order to make a real impact in these areas over a period of roughly ten years. Following this decision, the Trust developed specific funding criteria, for example in its environmental programme focusing on practical projects working towards the UK Biodiversity Action Plan targets set by government and the environmental community. The Trust began to invest time and resources in identifying key organisations and stakeholders in these areas, and in building relationships with them. As a result, in 2007, the Trust closed its open application programme to focus on funding activities that strengthen these two programmes.

A major project, for example, has been supporting the creation of the Farmed Animal Welfare Forum, and a ten-year strategic plan for its development. Today, as the Trust moves towards spend out and closure (currently planned for 2012-2013), it is also working in partnership with selected organisations to help them prepare for receiving large 'legacy grants', which will provide core support to help them scale up their work and ensure long-term sustainability as the Trust exits the scene.

For The Tubney Charitable Trust, spend out is about making as big an impact as possible over a short period of time, in issue areas in great need of funding. While the Trust itself has a limited future, it is using its resources to invest in the capacity of the organisations it supports to bring about long-term systemic change. In the words of Sarah Ridley, Executive Director of the Trust, "it is these organisations, and their longevity and commitment to the field, that really will ensure that the changes we collectively want to see have a greater chance of happening."

The Tubney Charitable Trust runs an informal support group for CEOs of spend out trusts and foundations in the UK. For more information on the group, see the list of useful resources at the end of this paper.

Establishing a timeframe for spend out

Having taken the decision to spend out, trusts and foundations need to decide whether or not they will define a timeframe for their spending. The majority of trusts that we spoke to had decided on a timeframe, but their accounts of this process show us that timing within a spend out is far from an exact science, and requires a certain level of flexibility.

At the time the decision to spend out was made, several of the trusts had taken stock of the capital they had to spend, their mission, and the kind of grantmaking strategy they wished to adopt, and worked out what seemed to be a logical timeframe based on these factors. Ten to fifteen years was a common timeframe specified among trusts in our sample that used this method.

All the trusts agreed, however, that it was near impossible – and counterproductive to the objectives of their grantmaking – to specify an exact date for closure too early on. Rather, most began working within a rough timeframe, and gradually moved closer to defining an exact year, month and then day for turning out the lights. The executive director of one trust told us, "it's more important to us to get the job done well than to set a specific date and stick to it," while another explained that the timeframe for spend out had sharpened as her trust had moved into the last five years of its strategic plan: "as you spend down your money, it becomes more obvious when the end date should be."

For other trusts, a timeframe had been established based on estimates of how much longer a living founder – or the trust's main driver if the founder was deceased – would want to be actively involved in the trust's work during his or her lifetime. One trust's director explained, "a spend out doesn't necessarily mean a switch off date. There isn't a kind of red circle on a calendar. What there is is a planning horizon, which says, let's look at our founder's health and assume a level of activity for, say, 15 or 20 years. Then you say what are the resources we've got available, what are the areas we're interested in and what does that look like as a spend profile and as an income profile. And you just begin to blend the two together, to get an idea that you'll be closing around a certain time. So it's more a kind of dimming of the lights towards that time."

In the case of a very different trust, set up to assist the victims of a terrorist attack, a very short timeframe (originally set at one year and later extended to sixteen months) was established for spend out, in response to the immediate necessity of beneficiaries.

Spend out and grantmaking strategy

To what extent does the decision to spend out influence grantmaking strategies among trusts and foundations in the UK? The majority of the trusts in our sample had made changes to their grantmaking strategy as a result of the decision to spend out. These ranged from increasing the number and size of grants while maintaining a reactive approach to grantmaking, to complete strategic overhaul of the trust's objectives and methods.

The increased resources available to trusts that decide to spend out, together with the imperative of a designated timeframe, give trusts the opportunity to design high impact grantmaking strategies that can really make a difference in the areas in which they fund. Over half of the trusts in our sample had explicitly set out to design such a strategy. One trust had done this over the course of two strategic reviews of its work. During the first, the trustees had narrowed the number and type of grant applications they were receiving by developing very specific funding criteria, having identified a particular area in which to focus their work. After three more years (when they were halfway through spend out), the trustees held a second review, and decided to close the trust's open application programmes and begin proactively identifying areas and organisations to fund, many of whom they had worked with before. They began to offer core support and higher levels of funding to these organisations, in an attempt to create long-lasting systemic change within the sector in which they were funding as a whole. As one of the trustees explained, "for us spend out has become less about specific projects or numbers on a balance sheet. It's really now about how we are going to ensure that we've left the sector that we were giving to in a more robust and powerful state, and that's not just about financial health, but also in terms of the rigor of its decision making and the coherence and articulacy it has in society."

In a similar vein, the chief executive of another of the trusts described a funding strategy designed to create long-term change in the areas in which it works. This involved a mixture of direct grantmaking to key operating charities, campaigning activities designed to influence legislative policy and public attitude and funding for research, which will enable the trust to disseminate its learning and encourage other grantmakers to adopt its approach. Importantly, this trust had designed a governance structure that, in the words of its chief executive, "means we can make grants very quickly if we need to. In one instance a government committee was meeting to debate whether to sign up to a convention a week later, and we turned around a grant in 24 hours. Giving that grant three months later would have been utterly pointless."

For another foundation, which has considerable resources available for its work, planning to spend out over its designated timeframe had necessitated a sharp increase in annual spend, enabling the trust to increase the scale and ambition of its grantmaking to invest – among other things – in the creation of several new institutions. As the trust's director explained, spend out means, "there is no longer any brake on using capital, so capital can be used for a variety of things, like mission related investments, setting up loan funds, and generally working on a much more ambitious scale than we'd been doing before. For example, we now have a project working to revive and stimulate a whole agricultural sector in a country in East Africa. Spend out means you can suddenly broaden your horizons, lift your gaze, in a sense, from the immediate, on the ground work to larger and more ambitious projects, that will hopefully have more impact over time."

Another of the interviewees reported that, on choosing to spend out, "we decided, in the interests of going out with a bang rather than with a whimper, to do something much more programmatic and also much more ambitious than what we had done before." This took the form of a new research funding initiative, designed to attract the best people in the field. In order to put this into practice, the foundation created a new advisory board and designed new selection procedures, in essence building a completely different grantmaking model from the one that it had used previously. In the experience of the more strategically-minded trusts represented above, we can see that spend out becomes almost a 'project', with a beginning, middle and end, creating a particular dynamic for grantmaking. One aspect of this 'project' approach is the gradual building of relationships with grantees in preparation for making very large-scale grants in the final phase of spend out. In the words of one chief executive, "it has been an important journey for all of us, and part of it has been about building up trust between organisations. We've just given one organisation a grant of £2.3 million. You can't do that without building a relationship through earlier stages of smaller grantmaking."

There is no doubt that this kind of strategic approach to spend out can place higher demands on trusts than less ambitious styles of grantmaking, and some interviewees told us that spend out had created more work for trustees and staff in designing high impact grantmaking programmes without losing sight of the necessity for due diligence. The trustees of the fund set up to assist the victims of a terrorist attack had at some points conducted weekly meetings; an extreme example unlikely to be replicated in most charitable trusts, but reflective of a trend towards greater trustee involvement in the work of strategic spend outs. One trustee told us that his board had set up very little infrastructure when they began to spend out, thinking this would mean they would have less to dismantle at the end. This, however, turned out to be a false economy, as the trust's high impact and deeply engaged grantmaking strategy soon demanded a strong infrastructure and team of professional staff. In another example of the 'project' dynamic, a trustee who is part of a board of only four members – all of whom have been trustees since the trust's creation and are committed to seeing it through to closure – told us that the finite nature of the trust's life had made it easier for him to commit to giving it his time.

It is important to note, however, that the variety seen among the spend out trusts in our sample – discussed at the beginning of this section – is also reflected in their approaches to grantmaking and in the kind of organisations they seek to support. Not all of the trusts we spoke to had taken the kind of strategic approach to spend

"The variety seen among the trusts in our sample is also reflected in their approaches to grantmaking."

out outlined above. One founder trustee told us that his trust "isn't into innovative projects. We like offering core support to boring good stuff that goes on regularly. Ordinary average people who are not going to save the world, but just turn up for work everyday. That's how I made my money!" For this trust, deciding to spend out had not meant changing the way it makes grants, but rather creating a system which uses volunteers to help assess applications from – and offer ongoing support to – a much higher number of grantees than it had been able to reach before. Another of the trusts that we spoke to (which has now closed) had also continued to make grants in response to applications throughout its lifetime. For this trust, spending out had meant progressively increasing its total yearly spend until closure, and sometimes increasing the size of grants it made, while maintaining the same grantmaking strategy.

As is the case more generally within the trust and foundation sector as a whole, approaches to evaluation varied greatly within our sample. Some trusts reported that they were doing no evaluation of their grantmaking, while others were carrying out a variety of evaluation procedures, from monitoring of immediate outputs to the longer-term assessment of impact. While the timeframe over which each trust planned to spend out might have been expected to affect how likely they were to use evaluation to help decide on later stages of grantmaking, we found that even the trust with the shortest lifespan in our survey had been able to use evaluation of earlier stages of grantmaking to influence its later activities.

One trust we spoke to was working with a series of advisory groups and board committees, in order to evaluate how far it was moving towards its objectives as it spent out. The chief executive of this trust told us that, as it moved towards closure, the trust was concerned to leave a record of how it had sought to create change through different mechanisms and how successful it had been in doing so, so that others could learn from its experience.

CASE STUDY Two

THE DIANA, PRINCESS OF WALES MEMORIAL FUND

The Diana, Princess of Wales Memorial Fund was founded in September 1997, four days after the Princess's death. Its mission is to continue the Princess's humanitarian work, by securing sustainable improvements in the lives of the most vulnerable people in the UK and around the world. The Fund drew together public donations given in memory of the Princess, the proceeds of the sale of products under the Fund's commercial licensing programme and a large donation from Sir Elton John and Polygram's recording of the song Candle in the Wind.

Together, these funds totalled over £100 million. The Fund's Trustees took the decision early on not to institutionalise their activities, believing that it would make a more fitting tribute to the Princess and those who had made donations in her memory to spend out the Fund in an attempt to make a real change in the world, leaving behind a powerful and memorable legacy. They decided to spend out over around fifteen years, a timeframe that was sharpened as the Fund entered the last five years of its strategic plan, which will see it close in 2013.

At first, the Fund continued to support charities that the Princess of Wales had supported during her lifetime. After a strategic review, however, the Trustees decided to narrow this broad remit to focus on three initiatives: the Palliative Care Initiative, to promote the scale-up of palliative care in Africa and its integration into governments' health policies; the Refugee and Asylum Seekers Initiative, to raise awareness of the needs and issues facing young refugees and people seeking asylum, and the Partnership Initiative, to add leverage to previous investments made by the Fund, in areas including penal affairs in the UK and the eradication of explosive remnants of war worldwide. The Fund recognises that the combined factors of being a spend out – having large financial resources that it is able to apply quickly and efficiently – and having an influential name that holds weight among the various stakeholders with whom it works, give it the potential to create real, long-lasting impact in these areas.

In order to build on this potential, the Fund uses its resources not only to fund service providing charities, but also to carry out advocacy, campaigning and awareness raising activities, to work in partnership and to convene key stakeholders around particular issues. The Fund also commissions research around its activities, in order to build an evidence base for the impact of its work in areas such as palliative care, and to disseminate its grantmaking strategy, inspiring and encouraging other trusts and foundations to adopt a similar approach.

Chief Executive Dr. Astrid Bonfield sums up the Fund's strategy with an example: "We could have funded Explosive Remnants of War survivors groups – and indeed we have in the past – but a really lasting legacy is to get an international ban on cluster munitions." As she says, "there's something special about spend out, there's definitely an energy around it. I think it focuses the mind, because you can't go back and do it again, you've only got one shot."

Financial planning and asset management

Deciding to spend out has implications for a trust's financial planning, whether the decision is made at the outset or several years into a trust's life. In the words of one of our interviewees, "the whole issue of spend out is really one of liquidity," and financial planning for spend out revolves around the questions of how to pace spending, how best to maximise resources before they are spent and how to make sure they are available to spend when you need them. One trustee told us that his board had in essence taken the last of its financial decisions first; working backwards from closure to think broadly about how funds would be allocated over time and what resources would be needed when.

Some of the trusts in our sample that had always intended to spend out their funds had taken a very low risk approach to their finances, staying away from equity investments altogether. This cautious investment policy, in which, as one interviewee told us, a trust's funds are held in low risk investments such as bonds, or even in cash, allowed these trusts to avoid financial unpredictability. One of the trusts we spoke to told us that this approach had meant its funds had stayed intact during the recent economic crash. In addition, staying out of equities had also enabled these trusts to access their funds in full as and when they needed them. Trusts taking this approach had prioritised these benefits over the possibility of increasing the value of their funds through a higher risk, longer-term investment strategy.

Most trusts that we spoke to, however, had chosen to manage their funds through a more diversified investment portfolio, carefully aligning their investment strategy with their plans for spend out. One trust had maintained around fifty per cent of funds in equities and fifty percent in bonds until halfway through its predicted lifetime, making quite significant gains on its capital during this time. The trustees had then decided, however, to pull all of the trust's funds out of equities, aware that in order to commit to the strategic grantmaking programme they had planned before closure, it would be necessary to know exactly how much money they had to work with. At this stage in the trust's life, we were told, "the trustees decided it was more important to know how much money they had than to hope that they'd get an extra £100,000 or £200,000 a year." Liquidating investments and bringing them in as cash enabled the trustees to make a clear financial plan for the last years of the trust's life, taking into account their administrative costs as well as their grantmaking.

"What you're trying to do is create a blended portfolio, that will be realisable along timelines and horizons that fit your predictable pattern of expenditure."

Financial planning for spend out does of course become more complicated the more capital a trust has available to spend, the longer its timeframe and if it faces any unpredictable factors, such as the possible receipt of new funds during its lifetime. One of the foundations in our sample was planning to spend out considerable resources over a period of 15-20 years, and had designed a longer-term investment strategy that would enable it to take advantage of capital growth in the years before it became necessary to start thinking about closure. Despite this long timeframe, however, the foundation still needed to be able to make predictions about the future value of its capital, in order to be able to plan how it would manage spend out over its lifetime. "You do find with spend out," this foundation told us, "that you base your projections on assumptions about growth. We try to pitch realistically on a long-term average of the growth of our assets, but we need to be aware that we could overshoot or undershoot these projections. Spend out does involve living with some level of uncertainty, which is a test of trustees' nerves."

The director of this foundation described its financial planning as "a process of moving dials on a dashboard" in which, "you've got three or four asset classes that provide different possible levels of return, but give you restricted liquidity. What you're trying to do is create a blended portfolio, that will be realisable along timelines and horizons that fit your predictable pattern of expenditure. We spend a lot of time thinking this through, and also mapping our founder's personal wealth, as there may be future donations into the foundation from him. So there's a kind of Rubik's Cube of movements involved."

The trustees and staff of this foundation were able to draw on the support of the investments team working in their founder's private office, although smaller trusts that we spoke to were working with much simpler financial structures and had not felt the need for extensive professional guidance around their planning.

CASE STUDY Three

FOUR ACRE TRUST

The Four Acre Trust was founded in 1995 by John Bothamley, using profits from his successful company in the building industry. The Trust supports small charities that help to give children and young people a better start in life. It funds mainly in Great Britain and Northern Ireland, supporting mentoring schemes, youth work in local communities, respite breaks and school holiday activity schemes.

It also funds some eye health, education and clean water projects abroad. Most grants are between £10,000 and £20,000, and the Trust prefers to support organisations that work to prevent problems occurring, rather than trying to cure them. It actively encourages applications from charities for core support – to fund salaries, for example - and for repeat funding.

Around ten years into the Trust's life, Founder Trustee John Bothamley began to become concerned about the amount of Four Acre's income that was being spent on investment management fees. He calculated that the Trust was receiving an income of around 5% on its capital, and paying 1% in management fees. This was equal to spending 20% of the Trust's income on fees. "It just seemed to me," says John, "that this was a big chunk of income that wasn't actually doing any good. Then we realised we could spend four times as much annually if we spent out our entire capital over the next ten years." At the time the decision to spend out was made, the Four Acre Trust was spending around £750,000 a year.

The Trustees realised that in order to spend out over ten years, they would need to make a lot more grants, and with only one paid staff member, they could benefit from some help in order to manage this process. The Trust's original response to this challenge was to create a team of twenty 'field officers', who offer their time pro bono. All are recently retired people with high levels of business experience, recruited by the Trustees through advertising and from among their friends. The field officers help select successful grant applicants, and then coordinate the Trust's monitoring and support programme. Each field officer maintains contact with and provides support to a portfolio of charities from early in the application process, helping to ensure that grants reach the most appropriate charities and are then used effectively. Field officers also provide feedback and advice to unsuccessful applicants.

The Four Acre Trust's innovative approach was Highly Commended for its grantmaking by the Charity Awards in 2008. John Bothamley believes that "we should be using the words 'spend out' more often, so that it becomes more accepted that this is one of the routes. It's about raising the profile, so that more trusts begin to consider it as an option."

Planning for closure

Most trusts in our sample planned to spend all of their funds through direct grantmaking before winding up, rather than pass remaining funds to other trusts. There was some variation, however, in the ways in which trusts planned to do this, and the exit strategies they had designed to facilitate closure.

The founder of one of the smaller trusts in our sample planned to maintain his existing level of grantmaking, ending with a "fairly steep drop off" when his funds ran out. This funder told us that "I suppose I won't suddenly stop being charitable, and I'll probably just have a few favourite [grantees] that will run on, which we may or may not put through the trust. So things will be a little bit flexible at the end." Another trust that had already closed its doors had taken a similar approach, and had completed its work by writing to all the grantees it had supported during its last three years to tell them it was closing.

A further trust we spoke to was planning to make a series of larger, capacity-building grants at the end of its lifetime, and was investing considerable time and resources in helping a number of key organisations to prepare for receiving them. This involved direct support for financial planning, and thinking through human resources structures and long-term strategy. As the chief executive of this trust told us, "most charities don't have a blueprint in their back pocket for receiving a large chunk of money, or the resources to design one, so one of the things we've been doing is providing advice on business planning." This process may also influence the final decision on exactly when this trust will close, as one of its trustees explained: "if we have a really important organisation that we want to support, but we feel they're not quite ready to receive a big final grant from us, we don't want to r ush that. We'd rather wait until we know they'll be ready to use it well."

With only a few years to go before closure, this trust has designed a very detailed system to coordinate its work with grantees, financial planning for the last phases of grantmaking and the logistics of staffing and its own office management. In order to maintain control over these various factors, staff and trustees had "created a whole series of tools for ourselves, spreadsheets and tables that have been important to get the sense that we are going from here to here." In the words of one trustee, "we live and die by a spreadsheet that sets out planned expenditure and what will be left at the end of the period."

One of the biggest foundations we spoke to, that had decided only recently to spend out, was faced with the difficult prospect of leaving a serious funding deficit among a series of institutions that it had created – or greatly supported – throughout its lifetime. Despite being fifteen to twenty years away from closure, it had already begun to think about ways in which it could help these institutions to build longer-term sustainability before it leaves the scene.

"We're starting to think about bringing in partners and like-minded philanthropists, so we can build enough support for these ventures to continue into the future."

The foundation's director told us that in some cases this would mean setting up endowments for institutions, but it also meant "starting to think about bringing in partners and like-minded philanthropists that want to share in this experience, so we can build enough support so that these ventures will continue into the future." The foundation had already begun to hold open and honest conversations with grantees about its future, and to involve them in planning for the withdrawal of its funding well before that happened. It's important to remember, we were told, that "although there are some great advantages and joys in spending out, we have to be realistic and candid about things coming to an end as well. It's a balance because you certainly don't want to abandon people, but they do need to become autonomous." This foundation felt that breaking ties with grantees would become a serious planning issue in the future, as it foresaw needing to cease funding of grantees at different times and rates.

Those in our study that had already spent out also pointed to the necessity of logistical planning as trusts near closure. Issues such as ensuring that trusts were not locked into a long-term lease on their office space, and thinking about what would be done with office furniture, computers and the trust's archives all needed to be considered ahead of time. It was also necessary to plan for the redirection of post, telephone calls and general enquiries received by trusts after closure, and to decide for how long enquiries would be dealt with and by whom. One trust reported that it still received around one grant application per week, five years after closure, while another – more recently closed – had made provisions to keep its website live for some time to come, in order that information about the trust and its work remain available to the public. One trust still in the process of spending out had plans to pass office furniture and computers on to grantees and partner organisations when it closed.

Spend out also presents challenges in terms of staff retention as the date set for closure approaches. One of the smaller - and now closed - trusts we spoke to had managed to avoid problems of staff retention by working with a very small core staff and a number of freelance advisors. Other trusts employing higher numbers of staff on contract, and especially those that were still some time away from closing, did express concern about this issue. We were interested to find, however, that some trusts nearer to the end of their lives had found that staff commitment had in fact remained high, with most staff keen to see the trusts' work through to the end. One chief executive told us that the nature of the work of the trust was a great motivating factor for her staff, who felt they were part of an important project that would really make a difference in an area they cared about.

A key factor in keeping staff on board was an open and honest approach on the part of trustees. Those who had explained clearly to staff the planned timeframe and work schedule of their trust (even if that timeframe was not yet definitely fixed), involved them in thinking through how the trust would manage the years leading up to closure and told staff how much notice they would be given before their positions were closed, found it easier to keep staff engaged and committed to their work. Trusts did tell us, however, that specifying a date for closure did create a certain pressure on trustees in terms of staff retention. "We want to decide on a date and communicate it to staff as soon as possible," one trustee told us, "but we don't want to rush our decision making as a result, or find ourselves short staffed because we have let somebody go too early."

Several trusts had also designed generous redundancy packages as a further incentive for staff to stay on board. "This is a necessary consequence of being a spend out," one trustee told us. "If you want your staff to stay, you have to make it worthwhile for them." This trustee also told us that his board had endeavoured to help staff build on their skills while working for the trust, and that given the careful strategic planning involved in spending out, "to have on your CV that you managed a spend out is an excellent recommendation." Despite employing all of these measures in order to maintain staff commitment, however, one chief executive told us that "we do have to be realistic about this. Especially in the case of the specialist staff, jobs don't come up very often, and when the right job comes, they're going to have to go."

As spend out trusts draw their activities to a close, they may choose to leave behind a public record of their work. Trusts we spoke to had done this (or planned to do so) in two forms. In the first, they had produced reports on the impact of their grantmaking activities, and shared information and learning by, for example, commissioning research on the work of grantees and making this publicly available through their websites or in other forums. While some trusts had produced reports themselves, others had supported grantees to produce and disseminate information on their activities within their own networks. A second type of register of trusts' work took the form of dissemination of what they had learnt about the experience of spending out itself. While fewer trusts had done (or planned to do) this, some did see an opportunity to promote debate around spend out by showcasing their own experiences. In the case of one trust this took the form of a short booklet, while in others it involved trustees holding dinners with other grantmakers, CEOs and/or trustees speaking publicly on the topic (such as, for example, at the AGM of the Association of Charitable Foundations), and in one case the creation of a support group to share information and learning about spend out (see the list of useful resources at the end of this paper for more information).

Attitudes to spend out within the UK's trust and foundation sector

While spend out trusts and foundations are still a very small minority in the UK, there was a feeling among those we spoke to that something of a shift in attitudes towards spend out was taking place within the trust and foundation landscape. One trust told us that, as more trusts had decided to spend out and gone public with this decision over recent years, more people within the voluntary sector had become aware of the concept, leading to a growing public discussion about spend out and how to do it effectively. One chief executive told us: "I do feel there's a greater acceptance of spend out as one mechanism of working. The debate feels more mature and less polarised."

Most trusts told us that they had found very few sources of support and information on spend out within the UK trust and foundation sector. Some had looked to other kinds of professionals for advice, such as employment law specialists and financial advisors. The spend out group set up by one of the trusts surveyed, mentioned above, was cited by several trusts as an important source of advice and support on the particular circumstances of spend out. Despite the great diversity found among members of the group, the experience of spend out had created common ground that made it helpful for trusts with very different profiles to share ideas. As the chief executive of the trust that set up the group told us, "we're mostly very small organisations and then a very big foundation comes along. Who would have thought that it would be useful to them to hear from a small family foundation? In fact there are a lot of issues that cross over."

Trusts that we spoke to had not encountered any legal complications in relation to spend out, and had not been required to declare to the Charity Commission for England and Wales that they were spending out. Some interviewees, however, mentioned the fact that the Charity Commission does not currently offer any guidance on spend out, and said that it would be useful if it would consider doing so in the future.

CASE STUDY Four

THE ATLANTIC PHILANTHROPIES

The Atlantic Philanthropies is an international leader in the field of spend out philanthropy. Created in 1982 by Chuck Feeney, co-founder of Duty Free Shops, the foundation has offices in seven geographies: Australia, Bermuda, Northern Ireland, the Republic of Ireland, South Africa, the United States and Viet Nam, and employs 150 staff worldwide. Atlantic's board has committed to spending out its entire endowment by 2020, and by the time it closes, the foundation's grantmaking will have totalled between seven and eight billion dollars. Today, Atlantic funds in four programme areas: Ageing, Children and Youth, Population Health and Reconciliation and Human Rights.

The original choice of countries in which Atlantic would fund was driven by Chuck Feeney's personal ties and interests, and as an Irish American, he had always been concerned to support Northern Ireland's peace process and the economic and social development of both Ireland and Northern Ireland. In its early years, Atlantic invested significant funds in the regions' higher education systems, and when the foundation redesigned its funding strategy to focus on the four programmes mentioned above, it began funding in the areas of ageing, children and youth and reconciliation and human rights through its offices in Dublin and Belfast.

Atlantic has not always been a spend out. It was not until the foundation took the decision to move away from the anonymous funding model it had originally adopted, and to become more public and transparent about its activities, that it began to question its own perpetuity. Atlantic's Board decided – not at the suggestion of Chuck Feeney but very much with his approval – that its lifetime would be finite.

This decision, we were told by Gara LaMarche, Atlantic's President and Chief Executive Officer, was "driven by a belief that if you can use greater resources to make a more concentrated impact on a handful of problems in the near term, then you can create greater effect than if you were to use your resources over a longer period of time." Deciding to spend out did not lead to immediate changes in Atlantic's grantmaking strategy, but over time it has led the foundation to hone its focus in a number of strategic areas, guided by evaluation of its grantmaking. In the words of Gara LaMarche, spend out has inspired a "philosophy that Atlantic ought to make bigger bets on fewer things in order to create impact."

A central concern for Atlantic as it moves towards closure is the funding deficit it will leave behind, and the foundation is becoming aware that its departure will be felt differently in different places. This issue is particularly relevant to its work in Ireland, where, together with the One Foundation (which is also spending out), Atlantic provides around 75% of foundation funding to the voluntary sector.

Gara LaMarche points out that spend out foundations can (and do) think in a variety of different ways about how to promote the sustainability of organisations working in the areas they support, and to what extent it is their responsibility to do so. In Ireland, Atlantic is working on the promotion of local philanthropy and also supporting the creation of new institutions that will strengthen the voluntary sector across the board. As Gara LaMarche explains, "we're thinking about what we can leave behind in terms of strong institutions and movements that will outlast us, or maybe that the best legacy is to build a cadre of leaders who will then go on over many years to make an impact."

"Many of the trusts we spoke to told us that deciding to spend out had brought clarity, focus and parameters to their work."

Defining objectives: arguments for spend out

Many of the trusts we spoke to told us that deciding to spend out had brought clarity, focus and parameters to their work, helping them to better define their objectives. Being able to use all the resources they had available also made it easier to create impact through their grantmaking. There is no doubt that, as one interviewee told us, spend out means "you need to be brave." But it also "encourages your board not to be hesitant, because you can't think well, in the next strategic plan we could look at another approach to that issue."

The director of another trust felt that, in spending out, the trust's potential for innovation had been enhanced. He told us, "what you realise all the more when you're spending out is what wonderful freedom philanthropists have. The freedom to do things on a big scale, to innovate, to take risks, to back your hunches, to follow talent that you identify. All this comes through even more strongly when you're spending out, because you're really upping the scale of things."

This sentiment was echoed by another interviewee, who said, "spend out is glorious in a way, because it means you can say, what is it we *really* want to do?"

The issue of trusts' efficiency also came up in our interviews. As the chief executive of one (now closed) trust told us, "as long as you have ways of measuring your success, and a very clear set of indicators as to how you're doing, I think spend out makes you work more efficiently. Traditional trusts and foundations often spend a lot of time assessing, and because the decision making is so long and drawn out you can actually lose the energy and the impetus and almost forget what it is you're trying to achieve."

One argument often put forward against spend out is that trusts that use all their resources in the short term do not take into account the needs of future beneficiaries or the long-term nature of the problems they seek to address. Our conversations with spend out trusts and foundations revealed interesting thinking around this issue.

One trust pointed out that "endowed foundations also shift their strategic focus. Very few of them fund the same organisations for fifty years." Others argued that their grantmaking strategies were actually designed to stimulate long-term systemic change, through the creation of institutions, targeted advocacy work and the provision of support for capacity building among the organisations and sectors they funded. As one interviewee commented, "I think we have to be very intelligent about what we mean by sustainability. If we're successful in getting palliative care on to the international HIV/AIDS agenda through our advocacy work, that's probably the best shot we have of assisting broadly with sustainability."

This kind of approach to creating systemic change through spend out philanthropy seeks to disengage the idea of a trust or foundation's continuing existence from the potential impact that trust's work might have over the long-term. By endowing grantee institutions, providing large grants to help charities invest in mechanisms to ensure their own sustainability or supporting the creation of forums and partnerships that strengthen the work of whole sectors, the trusts and foundations in our study were very clearly investing in the long-term futures of their beneficiaries. In fact, as many told us, it was the very condition of spend out – which made available the finances to support these strategies – that enabled them to do so. One trustee also saw an argument for cost efficiency embedded in this approach. He told us, "there's a duplication of cost in charitable trusts. There's the cost of running the charitable trust itself, and you then give money to charities that have their own costs. If one can get the money to the charity and trust the charity's trustees to do the job, there's an immediate cost saving."

This approach in fact requires trustees to shift the idea of continuing existence from their own trusts to the organisations and sectors they support. As one foundation director told us, "the foundation isn't there for the foundation's sake. The foundation is no more than an intermediary, a broker, and a conduit. What we are about is creating an impact in the areas of interest we support."

Several of the trusts we spoke to recommended that other trusts and foundations hold a conversation about spend out, not necessarily with a view to spending out, but as an exercise that can help clarify a trust's charitable mission and objectives, and give focus to its grantmaking. One trustee said, "I would suggest to all trustees that at their board away day this year, they imagine a scenario where new legislation has come in, and they have to spend out in the next seven years. It's a good mental exercise to discuss what they would do, and perhaps even say actually, what's stopping us from doing that? And if we're definitely here forever, why?"

TALKING ABOUT SPEND OUT:

Questions to ask and tips to consider

Below, we offer advice for philanthropists and trustees who would like to explore the possibility of spending out themselves, drawn from our conversations with spend out trusts and foundations in the UK. First, we have designed a short list of questions, to help trusts and foundations hold a conversation about spend out. These questions should be useful in helping trustees bring focus to their mission and how they seek to achieve it, whether or not that conversation leads to a decision to spend out. Following this list, we present a series of tips that will be helpful to those trusts that have decided to spend out, in thinking through how to make the most of their spend out. We hope you find these resources useful in your own grantmaking.

QUESTIONS FOR A CONVERSATION ABOUT SPEND OUT

1. Is the way we are currently using our resources truly aligned with the pursuit of our philanthropic mission?
2. Are there any particular funding opportunities in the areas we support that could benefit from greater capital investment now, that might not be there in the future?
3. Where do we see our trust or foundation in ten, twenty or fifty years time? What do we want to have achieved by then? Are we on track to do so?
4. Who will manage our trust or foundation once we have stepped down from the board? Will the trust be a burden to them? Are we comfortable with the possibility of mission drift by our trust in the future?
5. Would we like to make a shift to a higher impact grantmaking strategy? Would choosing to spend out, or increasing our yearly spend, make it easier for us to do so?
6. If we had to spend out over the next ten years, how would we alter our grantmaking strategy? Are there any elements of that hypothetical situation that we would like to incorporate into our grantmaking now?

TIPS FOR TRUSTS THAT HAVE DECIDED TO SPEND OUT

1

Establish a timeframe for spend out as soon as you make the decision.
You don't need to set a date for actually turning out the lights until quite close to the end (and it can be counterproductive to do so), but a rough timescale is very helpful.

2

Create a detailed plan for spending out.
This should take into account your grantmaking, staffing, financial planning and exit strategy. Design the final stages of your plan first and work backwards to the present. Refer back to the plan at each stage of your trust's life, but also be prepared to be flexible as you move into its final stages.

3

Setting up too little infrastructure at the start of spend out can be a false economy.
Make sure you have the infrastructure and staff that you will need to see spend out through to the end.

4

Let grantees know that you will be spending out.
If your departure will leave a funding deficit, work with grantees early on to explore how they might find funding to replace yours. Encourage other funders to step in, and consider offering larger grants to key organisations to help them build sustainability.

5

Plan your finances carefully.
While you will want to maximise the return on your funds in the early stages of spend out, you may need to move out of equities as you move nearer to closure, in order to avoid unpredictability and to have full access to your funds.

6

Be honest and open with your staff.
Even if you don't have an exact date for closure, staff will appreciate knowing your plans and how much notice they will be given, and will be more likely to stay on board until the end. Design a generous redundancy policy to encourage staff to stay for as long as you need them.

7

Check the lease on your trust or foundation's office.
Try to avoid being locked into a lease that goes well beyond your planned date for closure.

8

Don't forget the little things as you get nearer to closure.
Think about what you will do with office furniture and equipment and your trust's archives, and who will respond to enquiries about the trust (and for how long) after you have closed.

9

Think about disseminating the work of your trust or foundation.
You will have important achievements to record and lessons to share, both about your grantmaking and your experience of spending out.

10

Seek advice and support.
Other spend outs and professionals such as financial advisors and employment law specialists can offer valuable advice on spending out.

"The majority of spend outs in our study would argue that by investing their resources in today, they seek to contribute to the elimination of the problems of tomorrow."

Conclusion

Our research reveals a great level of diversity among spend out trusts and foundations in the UK, showing that spend out is not restricted to trusts of a particular size, or to those focused on a particular issue area. It does, however, reveal certain trends, such as a tendency among UK spend outs to use this philanthropic model as a means to put into practice a grantmaking strategy that aims to create long-term impact in the issue areas they support. In using the high levels of resources made available to them through spend out to invest strategically in organisations and activities designed to bring about long term systemic change, spend out trusts and foundations counter the very argument so often made against them, that they do not take into account the needs of future beneficiaries. Rather, the majority of spend outs in our study would argue that by investing their resources in today, they seek to contribute to the elimination of the problems of tomorrow.

Very little research has been carried out on spend out philanthropy outside the USA, and we offer our findings in a preliminary spirit, in the hope that they will inspire further studies on this topic in the UK and elsewhere. We also hope that they will encourage further debate on spend out, bringing this little-practiced model for trust and foundation grantmaking to wider attention within the UK's philanthropy sector. At its heart, we believe that the question of whether or not to spend out should be asked by trusts and foundations in conjunction with a more essential question, namely what is the most effective model for achieving our philanthropic mission? Spend out becomes a truly valuable choice if it can be offered in answer to this enquiry.

We are extremely grateful for the generous support of Brian and Hana Smouha, The Tubney Charitable Trust and The Diana, Princess of Wales Memorial Fund in the development and dissemination of this research paper.

We also offer our thanks to the following people for their participation in this project, and to those who contributed survey data anonymously:

Dr. Astrid Bonfield, Chief Executive, The Diana Princess of Wales Memorial Fund
Alan Bookbinder, Director, Sainsbury Family Charitable Trusts
John Bothamley, Founder Trustee, Four Acre Trust
Jonathan Burchfield, Trustee, The Tubney Charitable Trust
Dr. Ray Cunningham, Director, Anglo-German Foundation (now closed)
Peter Hesketh, Director, The Gatsby Charitable Foundation
Michael Isaacs, Trustee, Lyndhurst Settlement (now closed)
Gara LaMarche, President and CEO, The Atlantic Philanthropies
René Olivieri, Chair, The Tubney Charitable Trust
Gerald Oppenheim, Chair, London Bombings Relief Charitable Fund (now closed)
Sarah Ridley, Executive Director, The Tubney Charitable Trust
Carol Stone, Chief Executive, London Bombings Relief Charitable Fund (now closed)

Think Philanthropy, the Institute for Philanthropy's research programme, was created in honour of the Institute's founder Hilary Browne-Wilkinson. The programme has been generously funded by William M. Dietel, Jon and Lillian Lovelace, Lord Rothschild OM GBE, Michael Webber and one anonymous funder.

Bibliography and Useful Resources

Barnard, A. (2008) *The Lessons We Learned*, London Bombings Relief Charitable Fund.
Useful information and practical advice for spend out trusts on: starting up; finding your ethos; front line management and communicating effectively with beneficiaries.

Bishop, M. (Feb 2006) *The Business of Giving*, The Economist.

Burchfield, J. (June 30, 2009), Contribution to a debate held at the AGM of the UK's Association of Charitable Foundations.

Charity Commission RS13: *Tell It Like It Is: The extent of charity reserves and reserves policies.*
http://charity-commission.gov.uk/publications/rs13.asp

Dunmore, S. (Sep 2009) *Preparing for Closure,* Governance Magazine.

Emerson, D. (Jul 2006) *Spending Out*, Trust & Foundation News, Issue 75.

Glinkowski, P. (2007) *Good Foundations: Trusts & Foundations and the Arts in the United Kingdom*, vol.1, The Rootstein Hopkins Foundation: A Case Study.

IPS. (Nov 2009) *Civil Society to Lose Major Supporter.*
http://atlanticphilanthropies.org/news/news/civil_society_to_lose_major_supporter

Jackson, A. (2008) *Evaluation of Grant Making*, London Bombings Relief Charitable Fund.

Lurie, T. (2009) *Giving While Living: The Beldon Fund Spend Out Story*, Beldon Fund.
http://www.beldon.org/files/beldon/BeldonFund_1.pdf
An in-depth account of a major foundation's experiences of spending out in the USA.

Mackinnon, A. (2007) *The Effective Exit: Managing The End Of A Funding Relationship*, GrantCraft.

Newsmakers. (Jan 2007) Foundation Center's Philanthropy News Digest.
http://foundationcenter.org/pnd/newsmakers/nwsmkr_50th.jhtml?id=166500002

Ogden, T. (Dec 2008) *Revisiting the Idea of Perpetuity*.
http://www.philanthropyaction.com/articles/revisiting_the_idea_of_perpetuity

Ostrower, F. (2009) *Limited Life Foundations: Motivations, Experiences and Strategies*, The Urban Institute Center on Nonprofits and Philanthropy. http://www.urban.org/publications/411836.html
A comprehensive review of the thinking of donors, trustees and staff of spend out foundations in the USA and the challenges and opportunities for effective philanthropy using a spend out model.

Palmer, P. (Feb 2008) *Something In Reserve*.
http://www.charitiesdirect.com/caritas-magazine/something-in-reserve-195.html

Porter, M.E. & Kramer, M.R. (Nov-Dec 1999) *Philanthropy's New Agenda: Creating Value*, Harvard Business Review.

Renz, L. & Lawrence, S. (2004) Foundation Growth and Giving Estimates: 2003 Preview, Foundation Center.
http://foundationcenter.org/gainknowledge/research/pdf/fgge04.pdf

Renz, L. & Wolcheck, D. (2009) *Perpetuity or Limited Lifespan: How Do Family Foundations Decide?* The Foundation Center in cooperation with the Council On Foundations.
An in-depth and large scale study of motivations and practices among permanently endowed, limited life and undecided family foundations in the USA.

Continued

Renz, L. & Wolcheck, D. (2008) *Family Foundations' Lifespan Planning Options: Intentions, Practices, and Attitudes,* The Foundation Center in cooperation with the Council On Foundations.

Ridley, S. (March 2007) *Ten Reasons To Spend Out.* Trust & Foundation News, Issue 78.

Schmidt, A. (Dec 2008) *Escaping the Perpetuity Mindset Trap,* The Nonprofit Quarterly.
An engaging and informative argument for spend out as an option for those who have or plan to establish a trust or foundation.

Stone, D. (2005) *Alternatives to Perpetuity: A Conversation Every Foundation Should Have,* National Center for Family Philanthropy.

Thelin, J.R. & Trollinger, R.W. (2009) *Time is of the Essence: Foundations and the Policies of Limited Life and Endowment Spend-Down,* The Aspen Institute.

Waleson, H. (2007) *Beyond Five Percent: The New Foundation Payout Menu,* New York Regional Association of Grantmakers. www.ncg.org/assets/beyond5/Beyond5_Report.pdf

Walker, D. & Palmour, P. (Nov 2007) *Shake the Foundations,* Charity Finance Magazine. www.civilsociety.co.uk/magazines

Whittemore, N. (Jan 4, 2010) *Philanthropic Capital Needs to Take More Risks.* http://socialentrepreneurship.change.org/blog/view/philanthropic_capital_needs_to_take_more_risks

Guidance for grantmaking charities in the UK can be found in the 'Operational Guidance' section of the Charity Commission's website, at http://www.charity-commission.gov.uk/publications_and_guidance.asp

The Spend Out Group
The Tubney Charitable Trust runs a support group for CEOs of UK trusts and foundations that have committed to spending out. The group meets informally throughout the year, providing a space to speak in confidence and to share information and experiences around spend out. For further information or to enquire about joining the group, please contact Executive Director Sarah Ridley at s.ridley@tubney.org.uk

ABOUT
The Institute for Philanthropy

The Institute for Philanthropy
We are one of the world's leading organisations providing international donor education. We believe that if you give people with the capacity to give the skills, knowledge and networks to give, they will increase the impact and size of their giving. We work closely with a global network of over 200 wealthy families, and partner with companies, trusts, foundations and schools.

We act as a forum for the development of new ideas and produce original and practical research on a range of issues, including the management of charitable assets, funding during an economic downturn and funding for core support. We also convene gatherings for learning with leaders in the field, including accomplished philanthropists and academics.

OUR VISION
We look towards a world in which philanthropists from around the globe have the skills to make significant contributions to the pressing issues of their time, in their own giving and in networks and partnerships with others.

OUR MISSION
We work to increase effective philanthropy in the United Kingdom and internationally. We do this by

- Providing donor education
- Building donor networks
- Raising the awareness and understanding of philanthropy

If you have any questions about our work or to find out more, please email us:
contact@instituteforphilanthropy.org

Or visit us at:
www.instituteforphilanthropy.org

Institute for Philanthropy
2 Temple Place
London
WC2R 3BD

Tel: + 44 (0)20 7240 0262
Fax: +44 (0)20 7240 8022

Institute for Philanthropy US
100 Broadway, 17th Floor
New York, NY 10005

Tel: +1 212 513 0020
Fax: +1 212 202 4313

Institute for Philanthropy UK Registered Charity No. 1093927, a charity registered in Scotland, No. SC041110.
Institute for Philanthropy U.S. is a 501©3 Public Charity.